PROCEEDINGS

OF THE TWENTY-FIFTH ANNUAL

Institute on Accounting

Held at

THE OHIO UNION
THE OHIO STATE UNIVERSITY CAMPUS

MAY 16 AND 17, 1963

Sponsored by

THE DEPARTMENT OF ACCOUNTING
COLLEGE OF COMMERCE AND ADMINISTRATION
THE OHIO STATE UNIVERSITY

Edited by

THE BUREAU OF BUSINESS RESEARCH
COLLEGE OF COMMERCE AND ADMINISTRATION

CONTENTS

FIRST SESSION *Page*

Paper: "The Practice Review Committee" 3
MARSHALL S. ARMSTRONG, C.P.A.

Paper: "The Auditor's Dilemma in Reporting on Separate Financial Statements on an Affiliated Company" 13
MAURICE A. WEBSTER, JR., C.P.A.

SECOND SESSION

Presentation of the Ohio Society of CPA Awards 27

THIRD SESSION

Paper: "Accounting and Its Relation to the Systems Concept" . . . 31
JOHN P. MCNERNEY

Paper: "Resolving the Enigma of Systems Education" 39
JAMES P. MASON

Paper: "Revenue Alternatives for Ohio" 48
C. EMORY GLANDER

FOURTH SESSION

Banquet—Presentation of distinguished accountants elected to Hall of Fame

Paper: "Performance Measurements—Too Hot to Handle?" . . . 59
WM. TRAVERS JEROME, III, D.C.S.

FIFTH SESSION

Paper: "The Accounting Principles Board and Uniformity in Financial Reporting" 67
THOMAS C. HIGGINS, C.P.A.

Paper: "Are We Expected to Eliminate All Alternatives?" 77
HASSEL TIPPIT, CPA

SIXTH SESSION Page

Presentation of Hermann C. Miller Memorial Scholarship...... 85

Paper: "Economic Growth in the Midwest"................ 87
ROBERT C. TURNER, PH.D.

Conference Roster.. 90

Available Proceedings.................................... 99

FIRST SESSION

THURSDAY, MAY 16, 10:00 A.M.
Ohio Union—West Ballroom

Presiding:

L. FREDERICK CLARK, C.P.A., *President, The Ohio Society of Certified Public Accountants; Partner, Cassel, Groneweg, Rohlfing & Clark, Dayton, Ohio*

Paper: "The Practice Review Committee"

MARSHALL S. ARMSTRONG, C.P.A., *Partner, George S. Olive & Co., Indianapolis, Indiana*

Paper: "The Auditor's Dilemma in Reporting on Separate Financial Statements of an Affiliated Company"

MAURICE A. WEBSTER, JR., C.P.A., *Partner, Peat, Marwick, Mitchell & Co., Philadelphia, Pennsylvania*

THE PRACTICE REVIEW COMMITTEE

MARSHALL S. ARMSTRONG, C.P.A.
Partner, George S. Olive & Co.
Indianapolis, Indiana

A logical foundation for our discussion of the Practice Review Committee can be built upon what might be called five basic accounting and auditing truisms:

1. Financial statements are usually prepared for the purpose of reflecting financial position as of a specific date and results of operations for a specified period of time.
2. Such financial statements should be prepared in accordance with generally accepted accounting principles which are appropriate in the circumstances in order for them to fairly present financial position and results of operations.
3. The appropriate accounting principles should be consistently applied or disclosure of any major change should be made since a primary use of financial statements is to compare operating results and financial position from period to period both internally and externally.
4. Financial statements are representations of company management. Management has the responsibility for proper recording of transactions in books of account, for safeguarding of company assets and for the substantial accuracy and adequacy of the statements. The transactions which should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Therefore, it must be recognized that heavy responsibility rests upon management for proper maintenance of accounts and financial records.
5. The credibility of financial statements is substantially enhanced in the eyes of beneficial users whenever the name of a certified public accountant is associated with them in any way, whether or not the statements have been independently audited. Accordingly, the CPA must clearly indicate in his report the character of his examination of such statements, if any, and the degree of responsibility he is taking.

Upon the foundation of these five simple but basic truisms, let's build the case of the Practice Review Committee.

Professional organizations constantly strive to maintain competent performance of services by their members.

The American Institute of Certified Public Accountants is no different in this respect and, during its 75 years of existence, has developed what has been called a program of self-discipline principally for the benefit of its members and also for the benefit of users of financial statements.

This so-called program of self-discipline has evolved gradually over the years and includes six major components:

1. Establishment of generally accepted auditing standards, the issuance of the codification of statements on auditing procedure, and subsequent issuance of additional statements on auditing procedure.
2. Issuance of statements on accounting principles by the accounting principles board and its predecessor, the committee on accounting procedure.
3. Organization of a consultation service whereby members may discuss the handling of difficult technical problems in advance of the release of audit reports.
4. Institution of staff training and professional development programs in order that members may have appropriate means of adult professional education.
5. Development of the code of professional ethics, violation of which may result in disciplinary action by the ethics committee through the institution of proceedings before the trial board, and
6. Organization of the Practice Review Committee principally for the purpose of eliminating, insofar as possible, substandard reporting practices through education and persuasion rather than by disciplinary action.

The Need for the Practice Review Committee

In view of such an extensive program of self-discipline which had evolved prior to the advent of the Practice Review Committee, the question arose as to whether the profession needed to activate formal channels for review of reports issued by certified public accountants.

The need arose primarily because of non-compliance, by some CPAs, with generally accepted auditing standards; particularly, non-compliance with reporting standards.

Are these standards extremely difficult to interpret or to apply in practice? Are they extensive in number? To the contrary, only ten auditing standards were adopted in 1948 and 1949 by the American Institute membership and certainly should be carefully studied and clearly understood by all CPAs who are engaged in the preparation or the examination of financial statements.

The first six standards deal with such matters as:

1. Technical training and proficiency of the CPA,
2. Independence in his mental attitude,
3. Exercise of due professional care,
4. Planning of the audit work and supervising assistants utilized on an engagement,
5. Study and evaluation of existing internal controls, and
6. Examination of sufficient competent evidential matter as a reasonable basis for an opinion on financial statements.

These six standards deal with personal qualifications and with performance of field work.

However, we should recall that the ultimate objective of an examination of financial statements by an independent CPA is the expression of his opinion respecting such statements. The content of his report or opinion is controlled by the remaining four standards of reporting. Let's review their content:

1. The report shall state whether the financial statements are presented in accordance with generally accepted principles of accounting.
2. The report shall state whether such principles of accounting have been consistently observed in the current period in relation to those in the preceding period.
3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.
4. The report shall either contain an expression of an opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an over-all opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's examination, if any, and the degree of responsibility he is taking.

In addition to these four standards of reporting, every CPA should recognize the requirements of Rule 2.03 of the Institute's Code of Professional Ethics, which states:

"A member or associate shall not permit his name to be associated with statements purporting to show financial position or results of operations in such a manner as to imply that he is acting as an independent public accountant unless he shall:

(1) express an unqualified opinion; or
(2) express a qualified opinion; or
(3) disclaim an opinion on the statements taken as a whole and indicate clearly his reasons therefor; or
(4) when unaudited financial statements are presented on his stationery without his comments, disclose prominently on each page of the financial statements that they were not audited."

Also, Rule 2.02 contains fundamental guidelines on reporting which bear importantly upon the CPA's performance:

"In expressing an opinion on representations in financial statements which he has examined, a member or associate may be held guilty of an act discreditable to the profession if:

(1) he fails to disclose a material fact known to him which is not disclosed in the financial statements but disclosure of which is necessary to make the financial statements not misleading; or
(2) he fails to report any material misstatement known to him to appear in the financial statements; or
(3) he is materially negligent in the conduct of his examination or in making his report thereon; or
(4) he fails to acquire sufficient information to warrant expression of an opinion, or his exceptions are sufficiently material to negative the expression of an opinion; or
(5) he fails to direct attention to any material departure from generally accepted accounting principles or to disclose any material omission of generally accepted auditing procedures applicable in the circumstances."

Opinion No. 8, of the ethics committee, is also pertinent:

". . . In a circumstance where a member believes the financial statements are false or misleading as a whole or in any significant respect, it is the opinion of the committee that he should require adjustments of the accounts or adequate disclosure of the facts, as the case may be, and failing this the independent accountant should refuse to permit his name to be associated with the statements in any way."

As we review the relatively simple clear-cut concepts and guidelines expressed:

(1) in the five basic accounting and auditing truisms,
(2) in the six components of the self-discipline program,

(3) in the four specific reporting standards,
(4) in the two appropriate ethical Rules 2.02 and 2.03, and
(5) in the ethics opinion No. 8,

it is almost wholly inconceivable that any CPA could be uninformed regarding his responsibilities in this area of public accounting practice.

However, examples of substandard reporting by CPAs are in evidence far too frequently. Several State Societies have conducted extensive surveys of reporting practices and have detected many situations where CPAs have either ignored their responsibilities under reporting standards and ethics or were completely uninformed as to the existence of the code or standards.

Witness the following example which was recently the subject of serious criticism by a prominent banker:

> Gentlemen:
>
> I have been requested to furnish you with Consolidated Balance-Sheets for the businesses of the following individuals:
>
> (4 individuals)
>
> I have prepared these financial statements using round figures and trust that they will give you a picture of their financial status.
>
> I have been acquainted with these gentlemen and their businesses for several years and personally know that these statements are true.
>
> Should there be additional information needed, please do not hesitate to advise.
>
> Yours truly,
>
> Certified Public Accountant

Obviously, in this instance the CPA failed to comply with generally accepted reporting standards and with Rules 2.02 and 2.03 of the Code of Professional Ethics.

Another example which is a real gem:

> Dear Sirs and Madam:
>
> Pursuant to engagement, we have made a balance sheet audit of the books of the XYZ Company for the fiscal year ended March 31, 1962. As a result thereof, based upon inventory data furnished by you, and without confirmation of ac-

counts receivable or accounts payable by direct correspondence, we submit the following:

Exhibit A—Profit and Loss Statement
Exhibit B—Balance sheet
Exhibit C—Analysis of capital accounts

The ratio of current assets to current liabilities as reflected in Exhibit B, is 4.2 to 1, indicative of a sound financial status.

Respectfully submitted,

Certified Public Accountant

Other examples could be cited which, of course, are not typical of most practice by CPAs today.

However, while the effect of substandard reporting practices on the accounting profession as a whole may be minute in each particular instance, the effect compounds and tends to cause the accounting profession to lose stature with credit grantors and with the public in general.

Accordingly, the Council of the American Institute considered it desirable and necessary to provide the sixth component of the program of self-discipline by establishing the Practice Review Committee.

Scope of Committee Activities

The objectives of the committee generally are two-fold:

1. To review specific audit reports and opinions which on their face appear to involve deviations from accepted standards, and
2. To communicate to the accountant or accounting firm who signed the report or the related financial statements.

It must be emphasized at this point that the committee's work is of a highly confidential nature and several matters *are not* within the scope or purpose of its activities. For example:

1. The committee's function is not punitive in nature, but rather is purely educational.
2. The committee will not refer any of its cases to the ethics committee of the Institute.
3. The committee will not communicate its views on any report to the person who called the report to its attention.

   It will communicate only with the accountant or firm who signed the report or with a corresponding State Society committee which requested advice.

4. The committee will not disclose the source of any report received for review.
5. Finally, the committee will not engage in advance consultation with respect to reports in preparation, this activity being more in the province of the CPA consultation service.

Frankly, it is the genuine hope of the Institute and of the Practice Review Committee that this purely educational purpose, coupled with such an extreme confidential atmosphere of activity, will encourage the submission by Institute members and others of seeming substandard reports. It should be clearly recognized that *no disciplinary action* will result and that far-reaching benefits should accrue to the profession as a whole.

Sources of Reports for Committee Review

The Practice Review Committee has encouraged many individuals and organizations to submit reports which appear to involve deviations from accepted standards. For example:

1. The Institute's staff engaged in the examination of corporate reports for the purpose of publishing the annual study "Accounting Trends and Techniques" has been requested to submit reports that seem to deviate from accepted standards.
2. Members of the Institute through "The CPA" have been invited to submit reports which they discover as successor auditors, as investors, or in other ways with necessary prior approval by clients in the cases of unpublished reports.
3. State Societies of CPAs and State Accountancy Boards have been requested to cooperate in the submission of reports which they believe need review by this committee.
4. Many other organizations whose members or employees rely upon the reports of CPAs have been requested to cooperate. For example the Robert Morris Associates, the American Bankers Association, the Investment Bankers Association, the Financial Analysts Association, Government Agencies such as SEC and Blue Sky Commissions, large insurance companies, and mutual funds with widespread investments are but a few of such other organizations.

If all sources activate their efforts and commence to provide the committee with a heavy volume of reports for consideration, committee membership may need to be expanded.

Methods of Committtee Operation

At the present time, during the initial and formative stages of committee development, all cases are reviewed by the full committee and opinions are not issued without approval of two-thirds of the members.

Upon receipt of a report for review, the committee releases an acknowledgment letter to the sender. The letter includes, among other comments, the following sentence which is an important one:

> "Inasmuch as the objective of the committee on practice review is the improvement or correction of reports which deviate from accepted reporting practice through an educational rather than a disciplinary approach, the committe will not communicate its final conclusion as to whether this report is substandard to anyone other than the auditor or firm that signed the report."

This establishes the educational and confidential nature of committee activity.

Following acknowledgment to the sender, the committee communicates with the auditor or firm that signed the report. Various questions are presented, replies to which are usually necessary to enable the committee to reach an informed conclusion regarding any violation of reporting standards.

One paragraph of this letter is of vital importance:

> "The supplying of this information, of course, is a voluntary matter. The committee wishes you to exercise your discretion in providing an answer which will not violate the confidential relationship with your client. If, in your view, certain confidential information is necessary to a proper understanding, you should furnish it only with your client's permission."

This, of course, alerts the auditor to his responsibility under Rule 1.03 of the Code of Professional Ethics which states—

> "A member or associate shall not violate the confidential relationship between himself and his client."

Finally, after careful deliberation, the committee advises the reporting auditor of its conclusions regarding the report under review.

At this point, it should be understood that the committee deals solely with established reporting standards. It does not create reporting standards in the first instance.

Creation of principles and standards are matters for the accounting principles board to consider or for the committee on auditing procedure of the American Institute.

In reaching its conclusion, the Practice Review Committee is guided for the most part by published literature that is available to the profession as a whole. For example:

1. The codification of statements on auditing procedure;
2. The subsequent statements issued by the auditing procedure committee;
3. The opinions of the accounting principles board;
4. The former statements, issued on accounting principles by the committee on accounting procedure; and
5. Other authoritative published literature on accounting and auditing subjects.

In any case where it is not clear as to whether a deviation from accepted standards or principles has occurred, the Practice Review Committee will consult the accounting principles board or the committee on auditing procedure, as appropriate in the circumstances.

Conclusion

In conclusion, it should be clear to all CPAs that deviations from acceptable reporting practices create serious problems through their public or private exposure.

Unless the incidence of substandard reporting is reduced, the entire accounting profession will lose stature with credit grantors and with the public at large.

I cannot overemphasize the importance of constant study by CPAs of all authoritative literature on accounting, auditing and reporting standards. Full acceptance of this responsibility by all practicing CPAs will substantially diminish the present number of substandard reports.

And so, through the Program of Self Discipline:

1. The statements on auditing procedure and generally accepted auditing standards,
2. The opinions and statements on accounting principles,
3. The consultation service,
4. The training and professional development programs,
5. The code of professional ethics, and through
6. The Practice Review Committee,

the American Institute of Certified Public Accountants strives to encourage and maintain competent performance of services by its members.

Finally, the Practice Review Committee accepts its responsibility for leadership in the campaign against substandard reporting through educational measures. The campaign will succeed in direct proportion to the support given the comittee by each member of the American Institute and by others.

The committee appeals for your support.

THE AUDITOR'S DILEMMA IN REPORTING ON SEPARATE FINANCIAL STATEMENTS OF AN AFFILIATED COMPANY

Maurice A. Webster, Jr., c.p.a.
Partner, Peat, Marwick, Mitchell & Co.
Philadelphia, Pennsylvania

The only reasonable way to account for the diverse and complex operations of the modern business enterprise is to divide it into pieces of manageable size. The pieces may be separate corporations, or divisions, or branches, or merely cost centers. The form the pieces take will often depend upon tax considerations, or the legal formalities of the areas in which a business operates, or on management philosophy of measuring performance. In any event the investor in an enterprise is not especially concerned with the number, shape, or size of the pieces; his concern is with the sum total. His needs are generally met by consolidated financial statements which present the financial position and operating results of the enterprise taken as a whole.

Management on the other hand has a strong interest in the pieces as well as the whole. It needs to know which pieces are the more profitable, how they perform in comparison with budgets or general market conditions, and the many other facts on which business decisions are based. Accounting data, therefore, must be accurately accumulated and reliably presented for the individual pieces as well as for the consolidated enterprise.

This discussion is concerned with the problems which arise in presenting financial statements of a segment (or piece) of an enterprise and the auditor's dilemma in reporting on them.

Why should this cause a dilemma? Certainly the auditor's examination must encompass all the important pieces of an enterprise if he is to express an informed opinion on the company's consolidated or combined financial statements taken as a whole. In addition, he must ascertain that the pieces have been properly added together after elimination of intercompany transactions and balances. The auditor is accustomed to doing these things; why then should he feel embarrassment in issuing his opinion on the financial statements of one of the pieces he has examined?

The nub of the problem is whether the various transactions between divisions, or between parent and subsidiary, or between branch and head office are valid and reasonable or whether they are only self-serving. In consolidation the intercompany transactions wash out to zero, but in statements of subordinate units they stand exposed to view.

Let us consider a few examples:

(1) A steel manufacturer sells sheet-steel to its subsidiary which is a fabricator. The transfer price is the same as the price charged unrelated customers. This transaction, on its face, is valid and reasonable and the auditor has no difficulty in demonstrating this fact. There is no dilemma here.

(2) A U.S. manufacturer of a patented gadget decides to make and sell its product in England and in Australia. The U.S. company has obtained patent rights in both foreign countries. In England it forms a wholly-owned subsidiary which is charged $1 a year as a royalty for use of the patents; in Australia a joint company is formed—50% owned by an unrelated interest—and it is charged a substantial royalty based on sales. If everything else is equal, the English company will obviously make more money than the Australian one. This is self-serving insofar as the U.S. patent-holder is concerned, but does it deny validity of the financial statements of either foreign company? Can the auditor give a clean opinion on the separate financil statements of each of the subordinate entities? This is the beginning of the dilemma.

(3) One individual is the sole owner of a cotton spinning company; he is also the sole owner of a weaving company which buys yarn from the spinning company. The transfer price of the yarn is not only below market price but substantially below the spinning company's cost. With the favored treatment, the weaving company makes exactly $25,000 profit before taxes. This appears to be not only self-serving but possibly fraudulent, since the evidence indicates tax evasion. But what if the two companies are geographically separated and different auditing firms are engaged to examine the financial statements of each? What is the responsibility of either of the auditing firms to discover and disclose the artificiality of the pricing? This may create a greater dilemma.

With these examples in mind, the first step is to find the basic accounting principle with which we are grappling. The AICPA Committee on Auditing Procedure, in communicating the problem to the Accounting Principles Board, summarized the matters of principle involved as follows:

1. To what extent do generally accepted accounting principles require that material transactions entering into the determination of financial position and results of operations be measurable in terms of arm's-length bargaining?

2. When values resulting from transactions between related parties cannot be compared with values reached by arm's-length bargaining, what are the criteria, or principles, by which the fairness of the values are measured?

Collateral to these questions are two more:

3. What constitutes appropriate disclosure of intercompany relationships and the basis for intercompany transactions?
4. What modification, if any, should be made in the standard short-form auditor's report when reporting on a segment of enterprise?

To answer these questions a joint committee has been established under the auspices of AICPA. It is composed of two representatives of the Committee on Auditing Procedure and two representatives of the Accounting Principles Board. The joint committee held its first meeting in December 1962 and preliminary research has been undertaken by Mr. Maurice Moonitz, Accounting Research Director of AICPA. However, no conclusions have yet been reached. Although I am a member of this committee, I want to make it clear that I take sole responsibility for the tentative positions set forth hereafter.

To my knowledge there is only one official release by an AICPA committee which discusses the matter of arm's-length bargaining. The Journal of Accountancy for May 1946 published the following comments of the Committee on Accounting Procedure:

"Proposition: That no new cost can result from a transaction that is at less than arm's-length.

"Opinion: It is the opinion of the committee that there is no accounting foundation or justification for this proposition. Confusion has resulted from the introduction of the phrase 'arm's-length transaction' into accounting literature . . . . Accounting principles and procedures should be realistic and practical. Obviously all transactions are not made between wholly independent and unrelated buyers and sellers. The occurrence of transactions cannot be denied. So long as the prices or value equivalents set in them fall within the limits which would reasonably be set by wholly independent parties, the factually determined prices or costs are significant and appropriate for the accounting of both parties."

I am willing to accept this dictum and to assume that generally accepted accounting principles do not require that transactions must be measurable in terms of arm's-length bargaining. There are just too many situations where no such measurement is available. However, this is not to say that transactions between related companies must not have substance and be reasonable in the circumstances. This may sound like a play on words but I think there is a clear distinction between the rule of reason and the requirement that a transaction must be equivalent to an arm's-length dealing in order to have validity.

It seems to me not very difficult to establish whether or not a transaction has substance—if a billing is made without delivery of property or performance of service it has no substance. In the example of the spinning company and the weaving company, a credit memo issued as of December 31 reducing the transfer price of yarn for the entire preceding year would appear to be without substance.

More difficult is the determination that a transaction is reasonable. Dealings between unrelated parties are generally assumed to be reasonable and fair to both, because the profit motive, or self-interest, is fundamental in our free enterprise system. But in dealings within the family, the profit motive does not necessarily exist—the father is not always concerned with exacting a fair price from the son. How then does the auditor establish to his satisfaction that a transaction between affiliated companies has sufficient reasonableness to be given recognition in financial statements? This is the real dilemma that troubles him in issuing his report on a segment of an enterprise. To be sure, transfer prices that agree with established market quotations are clearly acceptable and transfers without substance are clearly unacceptable, but this leaves a large and ill-defined grey area.

It can be argued that this is where the auditor's judgment comes in. He is paid to make difficult decisions of this kind. And this is what he tries to do today. In the absence of ground rules, a CPA will usually issue a standard shortform opinion on financial statements of a subsidiary or division so long as he has no knowledge of impropriety in intercompany transactions. If all CPAs were happy with this solution there would be no reason for this discussion. The CPA might be satisfied if his report were limited in distribution to the parent company, but he knows he cannot control the ultimate uses to which his report may be put. If he takes seriously his responsibility for attesting fair presentation to third parties, he is concerned that the test of reasonableness is too broad. For instance:

Should machinery be transferred at depreciated cost or current appraised value?

How much royalty is appropriate for patented items? Or what service charge for know-how?

Must interest be charged on long-term advances?

These questions are not answered in the accounting text books and there are many more that could be enumerated. Yet the operating results of a subsidiary will be substantially affected by the method used for transfer pricing of goods and services. In these circumstances what does the conscientious CPA do?

We can assume that he will recognize an out-and-out fraud that attempts to cheat a minority interest, creditors, or taxing authorities. In such circumstances the auditor's responsibility is no different whether he is dealing with a subsidiary company, a branch office, or a self-contained enterprise. However painful to the client, he must disassociate himself with the statements reflecting the fraudulent transactions by giving an adverse opinion or taking whatever other action is appropriate to the circumstances.

But what does he do when he is not able to single out any particular transaction that he finds objectionable? How does he convey to third parties that the subsidiary's statements reflect, to some degree, a captive situation?

In my mind there are two possible solutions.

The first would be to establish criteria for measuring the objectivity of intercorporate transactions. For example, one criterion might be that a subsidiary's capital structure must have sufficient equity funds to support its debt to its parent. On this basis financial statements which showed paid-in capital of $1,000 and debt of $2,000,000, represented by a 20-year note payable to the parent with interest at 6% to the extent earned, would not produce a fair presentation of financial position or results of operations in accordance with generally accepted accounting principles. Likewise, the principle might be established that all tangible property transferred between related companies should be recorded at fair value on date of transfer. This would imply that inventories must be sold at market price or , in the absence of a quoted market, at price which will yield a normal profit margin to the seller. Again, if patented processes are to be used by a subsidiary, it would be logical to require that the arrangement be formalized in a license agreement setting forth the terms under which the patent may be used.

This is only a sampling of the type of criteria which might be established. We have no such well defined accounting principles today. Perhaps industry would say there is no need for them; that no restrictions should be placed on transactions within the family. If there are no such principles and no need for them, there may be reason to ask whether a useful purpose is served by a conventional auditor's report on financial statements of a segment of an enterprise. I believe this is an unfair question. The auditor's opinion certainly has value as an independent scorekeeping. Consequently, I propose a second solution—*detailed disclosure*.

Undoubtedly, the alternative presents a better chance for resolving the dilemma in the immediate future. This is not to imply that it is theoretically the best solution for the consumer of financial statements. It transfers to him the responsibility of understanding the ground rules used in each case. An analogy might be special "rules of the day" for each Saturday's football game. The rules might be posted in large letters for the spectators to read, but consider the confusion if the visiting team could select to gain 15 yards in 6 downs while the home team played for 10 yards in 4 downs.

The problems of the broad principles and basic postulates of accounting are for better brains than mine to solve. The Accounting Principles Board has been searching for an acceptable body of principles since 1959 and has reached no conclusions. Certainly there are areas where the need for more exact definitions is greater than in transactions between affiliated companies. Therefore, I should like to concentrate on the alternative—disclosure of the basis for intercompany transactions and the valuations which result therefrom. I suggest the following:

First, the relationship of a subordinate entity to its parent or affiliate should be clearly indicated in the headings to all financial statements; for instance—Jones International Sales Co. (a wholly-owned subsidiary of Jones Manufacturing Corp.), or Brown Electronics Division of A. B. Smith Company. This disclosure in itself is a warning to the reader that the financial statements reflect a captive situation and that the financial position and operating results might be somewhat different if the subsidiary or division were to operate as an independent entity.

Similar disclosure should be made when separate statements are presented of one of a group of companies having common ownership. Admittedly this type of consanguinity may not be readily apparent if the family is widely scattered, but if the family lives under one roof and there are numerous transactions within the group, then disclosure is as important as in a father-child relationship—perhaps more important. I have observed a family of companies where each has a different fiscal closing and profits are shuttled from one to the next by inventory transfers and other devices so that income taxes are substantially reduced. The same method might easily be employed to hide losses from creditors.

Second, all material intercompany balances should be identified and properly classified. Often the distinction between current items and a permanent advance or debt is ignored as a matter of convenience for later elimination in consolidation. Where separate statements are presented, greater care should be exercised. In addition, interest rates or the absence of interest on short-term notes or long-term borrowings would be indicated. I would also recommend that, where a subsidiary is thinly capitalized, long-term advances from the parent are better shown on the balance sheet under the caption "Stockholder's Investment" along with capital stock and surplus.

Third, I suggest that the basis of valuation of assets acquired from an affiliate should be disclosed where such assets are material. Using the example of the related spinning and weaving mills, I believe that it would be fairer if the dollar amount of yarn in the closing inventory of the weaving mill, which had been purchased from the spinning mill, were stated separately from yarn purchased from others and the methods of valuation separately described. I would not quarrel with any reasonable method, such as "at approximate market value on date of purchase" or "at cost to affiliated company plus freight and handling" or any gradation in between. I would not consider "at price billed by parent" an appropriate basis. If I were unable to determine that the basis was other than arbitrary, I would feel obliged, as an auditor, to qualify my report as to scope (for instance, my examination did not include verification of the underlying basis for pricing of inventory acquired from an affiliate). Actually, this will not require much additional work. Generally the auditor must investigate all intercompany inventory pricing so that he can satisfy himself that unrealized intercompany profit has been properly eliminated for purposes of consolidation.

The same disclosures would appear to be necessary for plant and equipment or intangibles acquired from a related party. Again the balance sheet might differentiate between those assets acquired from unrelated interests and those acquired from affiliates, with the basis of valuation indicated for each. Under generally accepted accounting principles it is usually sufficient to state that property items are valued at cost. However, when cost is an arbitrary amount billed by a related company it has no meaning in itself. It must be related to original cost, less depreciation, or to sound value at date of transfer—to which might be added—whichever more clearly reflects the economic realities. But at this point we are dealing only with disclosure. So long as the basis falls within the broad limits of reasonableness it is acceptable, per se.

Fourth, full disclosure would cover any unusual tax arrangements, such as the allocation of tax liability when consolidated returns are filed, and the method of providing for future tax liability on the transfer of profits between affiliates.

Fifth, when preparing financial statements of a foreign subsidiary operating in a country where there has been substantial currency depreciation, provision for exchange loss on repayment of non-current advances may or may not have been made in the subsidiary's accounts. Clearly there should be disclosure of the equivalent balance in the creditor's currency and the method of providing for exchange adjustments.

Sixth, in the income statement the amounts of intercompany sales, purchases, rentals, expenses, interest, etc., should be disclosed where material.

These items are not intended to be a complete list. They represent a sample of the more common matters which would require definition if the financial statements of a captive company are to have usefulness to third parties.

In addition, I believe it would be appropriate to disclose in a footnote any important arrangement or contract between affiliates which has a bearing on the financial picture presented by the statements. This footnote would typically explain such matters as:

> Under the advertising program of its parent, the subsidiary's products are included from time to time in advertisements in national periodicals. The subsidiary pays its parent for this service at the flat rate of $25,000 a month. Or,
>
> The company manufactures solely for the account of its parent under a contract which specifies that it shall be reimbursed for all costs and expenses plus a fee of $3,000 a month. Or,
>
> The company is licensed by its parent to sell patented gadgets in Alaska without payment of royalty. The license agreement may be terminated on thirty days' notice.

The foregoing arrangements are of a type which would seem to require disclosure if the financial statements of the subsidiary are not to be misleading, because its operating results are dependent upon a continuation of the arrangement.

Sometimes the arrangements give an appearance of exactness—services are billed at a precisely calculated cost, plus prorated overhead. But how does one calculate the value of mere association with a large and successful parent or of the know-how that is freely communicated because of the relationship? I doubt that a dollar value can ever be attributed to the intangible benefits of association any more than other forms of goodwill.

The disclosures I have suggested cover three basic matters: (a) the *amount* of intercompany transactions and balances, (b) the *basis* of *valuation* of assets and liabilities resulting from such transactions, and (c) the *nature* of the relationship, including arrangements (contractual or otherwise) which have a material effect on the subsidiary's modus operandi. They could be reduced to rules of general application for all affiliated situations. Would this solve the dilemma of reporting on financial statements of a segment of an enterprise?

I believe it would be a big step forward if the profession would agree that such disclosures are necessary to a presentation in accordance with generally accepted accounting principles. A minority stockholder, creditor, or prospective purchaser of a subsidiary could scarcely be deceived by statements containing such disclosures. All his questions may not be answered, but he is put on notice that the segment is dependent on the whim or sufferance of a relative. I can conceive of no way, except an infallible crystal ball, which will tell third parties what would happen to a subsidiary if it were suddenly cast adrift by its parent. Similarily there is no way to state the future effect on a wholly independent company of the loss of its major customer. When the latter occurs at the close of a fiscal period, all the financial statements can reflect is disclosure of the event. I believe this analogy is apt.

An adage of the independent auditor is—"Disclosure can never cure a basic flaw in the financial statements." Are we here proposing to overcome a flaw by disclosure? I do not think so. It has not been suggested that disclosure would explain away departures from generally accepted accounting principles or a presentation that is unfair. It has been suggested only that disclosure be substituted for the establishment of criteria, or principles, as to how intercompany transactions should be recorded. When the purpose of disclosure is to illuminate rather than to contradict, I believe it fulfills a perfectly legitimate function.

If we were all to agree on general principles of acceptable disclosure, would it follow that the short-form auditor's report is appropriate to financial statements of a segment of an enterprise?

In answering this question we must consider the nature of the subordinate entity on whose financial statements the auditor is reporting. In dealing with the *principles* of inter-corporate or inter-divisional transactions no basic distinction exists whether the subordinate entity is a separate corporation, a division, a plant, a branch, or whatever. In *reporting*, however, the form of the segment has significance.

In many cases the segment does not have a complete set of accounts. This is especially true of a branch operation. For example, the records of a branch warehouse might include only inventories and a petty cash fund. In reporting on an examination of statements which show only certain assets and liabilities of a branch, or certain of its expenses, the auditor would be dealing with a special situation and should not use the short-form report. As discussed in Statement on Auditing Procedure No. 28 of the AICPA Committee on Auditing Procedure, incomplete statements do not purport to present financial position and results of operations; accordingly, the terms "balance sheet" and "income statement" should generally be avoided and the auditor's opinion should be limited to stating whether or not the data are fairly presented on the basis indicated.

In the case of a substantially autonomous division, the financial statements may appear to present financial position and results of operations and, therefore, to require a typical auditor's report on his examination. But without separate legal existence, a division has no official standing as regards taxing authorities or creditors. For example all assets could be withdrawn from a division on a moment's notice by bookkeeping entry, without prejudicing the right of creditors; the creditors' claims could be applied with equal force to the controlling entity. Since a division exists and has separate accounting records only as a matter of convenience and lacks the presumption of continuity inherent in a legal entity, its financial statements would seem to have little significance to third parties. Therefore, I believe that some form of qualification should be contained in the auditor's report on such statements, in order to make it clear that they are not significant apart from a presentation of the company taken as a whole. When a CPA reports on separate statements of a division, I would recommend an opinion paragraph, as follows:

In our opinion, for the purpose of inclusion in the financial statements of ABC Company and when considered in conjunction therewith, the accompanying balance sheet and statement of income present fairly the financial position of XYZ Division at December 31, 1962 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

If a division's statements are included as a schedule to the over-all company statements (and this would generally be a preferable treatment), I would suggest covering them in a third paragraph following the standard report on the over-all company as follows:

The accompanying statements of XYZ Division, though not considered necessary for a fair presentation of over-all financial position and results of operations, are presented for supplementary analysis purposes. While our examination was made primarily for the purpose of formulating our opinion on the financial statements of ABC Company, the additional data have been subjected to the same audit procedures and, in our opinion, are stated fairly in all material respects when considered in conjunction with the Company's financial statements taken as a whole.

This leaves for consideration the report on the financial statements of a subsidiary company, or, in the case of foreign operations, an equivalent legal entity which has a separate existence aside from its parent. Without some other form of guarantee, creditors must look to the subsidiary's assets for payments of debts and other claims, and they may resort to legal remedies against improper diversion of such assets. These circumstances distinguish a subsidiary from a division. Accordingly separate financial statements of a subsidiary have significance to outside parties with whom the subsidiary does business, whereas statements of a division have no such significance. Unrelated parties, if furnished with a report of independent CPA's on statements of a subsidiary, should receive a clear-cut opinion which is appropriate and useful. The short-form report is the best suited for this purpose. I would consider it proper to use the standard two-paragraph report with a clean opinion, provided the following conditions are met:

(1) The name of the controlling entity is identified in the scope paragraph.

(2) The auditor has satisfied himself that all material transactions with affiliates are substantive and are reasonable in the circumstances.

(3) The disclosures suggested earlier herein have been made on the face of the statements or in footnotes thereto.

(4) The statements qualify for a clean opinion in all other respects.

This discussion would not be complete if I presented this conclusion without reference to the available alternatives. Statement on Auditing Procedure No. 32, published by the Committee on Auditing Procedure last fall, sets forth the recognized departures from the standard short-form report. In general terms the reporting variations include:

(1) An adverse opinion—when the statements are clearly not a fair presentation.

(2) A disclaimer of opinion—when for reasons of scope or otherwise the auditor has obtained insufficient information to warrant the expression of an opinion.

(3) A "subject to" qualification—when there is an important pending matter for which the outcome cannot be presently determined.

(4) An "except for" qualification—when the auditor takes exception to the fairness of presentation of one or more specific items in the statements or to the consistency with which accounting principles have been applied or to the sufficiency of the disclosures.

I am convinced that none of these variations applies solely because a subsidiary is a captive business. Any one of them might apply for other reasons, and no implication is intended that the auditor should not take exception when he is dissatisfied with a representation in the financial statements. But the dilemma created by separate financial statements of a subsidiary is one of apprehension, of fear that third parties will not appreciate the special situation. I do not believe an auditor should disclaim or qualify an opinion merely because of uncertainties which result from the absence of clearly defined principles. Within the range of acceptable procedures he is bound only to disclose the principle and the consistency of its application. By way of example, he is not committed to choose between the fairness of results from LIFO, as compared with FIFO; he is required only to disclose which has been used. I believe this same reasoning may be extended to parent-subsidiary transactions. Accordingly, I conclude that the short-form report requires no modification for the purpose of reporting on separate financial statements of a subordinate entity which has an autonomous legal existence.

To summarize, many CPAs have expressed concern at the lack of guidelines for reporting on separate financial statements of an affiliated company and this problem has not been resolved. In order to bring the matter into some focus and, I hope, to encourage further study and debate, I have presented a possible solution which appears to me to be workable and in accordance with the fundamental standards of auditing.

In brief the thesis I have expounded is as follows:

(1) The complexity of modern business has led to the segregation of operations into branches, divisions, subsidiaries, etc.

(2) There is a need for accurate accounting in the subordinate units and it is not unusual that the CPA is asked to act as an independent reporter on the representations contained in financial statements of the units.

(3) By their nature transactions between affiliated parties are not at arm's-length nor are they necessarily measurable in terms of quoted market prices or other outside frames of reference.

(4) So long as intercompany transactions have substance and are reasonable in the circumstances, they produce values and results that may be appropriately reflected in financial statements purporting to present financial position and results of operations.

(5) It would be desirable if precise criteria could be established for limiting the range of acceptability for intercompany dealings; accepted conventions are particularly needed for transfer pricing of goods and services between affiliates so that financial statements of subsidiaries have some common denominators.

(6) In the absence of such criteria, basic rules of disclosure have been suggested in order that financial statements of a subsidiary will not be misleading.

(7) With full disclosure, it is appropriate for the CPA to use the standard short-form report covering an examination of financial statements of a separate legal entity, such as a subsidiary.

SECOND SESSION

THURSDAY, MAY 16, 12:00 P.M.
Ohio Union—East Ballroom

Presiding:

L. FREDERICK CLARK, C.P.A., *President, The Ohio Society of Certified Public Accountants, Columbus, Ohio*

Presentation of The Ohio Society of CPA awards to the highest candidates in the November, 1962 CPA examination, made by:

JAMES L. WAMSLEY, C.P.A., *Chairman, Accounting Education Committee, The Ohio Society of Certified Public Accountants; Lybrand, Ross Bros. & Montgomery, Cleveland, Ohio*

THIRD SESSION

THURSDAY, MAY 16, 1:30 P.M.
Ohio Union—West Ballroom

Presiding:

WALTER G. KELL, PH.D., *President, American Accounting Association; Professor of Accounting, The University of Michigan, Ann Arbor, Michigan*

Paper: "Accounting and Its Relation to the Systems Concept"

JOHN P. MCNERNEY, *McKinsey & Company, Inc., New York, New York*

Paper: "Resolving the Enigma of Systems Education"

JAMES P. MASON, *International President, Systems and Procedures Association; Manager of Systems and Services, Diamond Alkali Company, Cleveland, Ohio*

Paper: "Revenue Alternatives for Ohio"

C. EMORY GLANDER, *President, National Tax Association; Wright, Harlor, Morris, Arnold & Glander, Columbus, Ohio*

ACCOUNTING AND ITS RELATION TO THE SYSTEMS CONCEPT

JOHN P. MCNERNEY
McKinsey & Company, Inc.
New York, New York

The accounting profession today is faced with one of the greatest challenges—and opportunities—in its history. Both are critical to the American economy and its outcome depends on the role the accountant chooses to play in American business. It has to do with the industrial accountant's role in the internal communications network of the company. Here the question which faces the accounting profession has to do with the extent to which accounting will meet the challenge of the development of the systems concept in American industry today. More simply stated, the question is this: Who will run the company's information system—who will be responsible for managing the flow of information in industrial concerns? Will the industrial accountant rise to the challenge or will he limit or abdicate his rightful role?

As I shall try to show, the industrial accountant must position himself to take responsibility for the management of information flow or else must be prepared to accept a position for himself outside the information system as merely one more specialized supplier and user of certain specified information in a manner somewhat akin to a marketing researcher, production scheduler, or the like.

To illustrate the trends that face us in the accounting profession, let me cite a few examples from the fields of business and business education.

First, from the field of business education. A few weeks ago I talked with the dean of one of our large graduate schools of business. In discussing the role of the accounting group in his own school, he said, "This department is in the process of transition from an accounting group to a management information and controls group." The staff for this group includes not only accountants, several of whom have schooled themselves in mathematics and probability theory, but also computer systems people and others who have specialized in various aspects of operations research.

At another graduate school of business, the fundamental course in accounting that has been traditionally taught has expanded and evolved into a far larger, unified course embracing probability theory, systems design, and managerial economics, as well as providing the same extensive coverage that it has always given to accounting topics.

The same trends are observable in the business world. In my own Firm, the group which had largely been concerned with accounting systems and financial analysis has broadened into a business system, planning and control groups with skills not only in accounting but also in systems, operations research, and the development of management information.

In leading industrial concerns, accounting personnel and controllers are increasingly preoccupied with systems, with management information, and with operations research. As one controller for a large oil company recently explained to me, "Without operations research techniques our department can't even adequately perform our traditional accounting functions of reporting on the efficiencies of our refineries."

To understand the impact of systems on the industrial accountant and to see what it is that the accounting profession must do, let us turn our attention to accounting, to its relationship to systems efforts, and to the role of systems in today's business enterprise.

A system is simply a set of procedures for preparing and handling information according to a predetermined program that has been established to help carry out the objectives of the business. Its purpose is to facilitate decision-making and to provide a means for planning and controlling certain activities of the business. Accounting was the original business system—and frequently the only formalized system. Accounting, like other systems, is simply a means of communication—a prescribed set of procedures for measurement and communication which provides quantitative data for making economic plans and decisions and for periodically checking plans and results. (In brief, it represents a tool for planning and controlling the economic activities of the business.)

But accounting is only one of many control systems. In its function of communicating information to aid in the development of judgments and the making of decisions, it has always been supplemented by means outside the accounting system. For example, control and decisions-making with regard to stocks of nails and other supplies used in a carpentry shop is exercised by visual observation of the keg of nails that sits on the floor of the shop.

Inevitably, as business has grown more complex, additional formal communications systems for control and decision-making have grown up. They range from detailed production reporting and scheduling systems through systems for planning manpower needs and evaluating personnel development to over-all systems for reporting manageemnt information.

The task of these systems is much the same as, or closely related to, that of the accounting system: to facilitate control and decision-making. In some cases, like production scheduling, they are confined to a particular segment of the business. In other cases, like management information system, they deal with the business as a whole—or at least with broad segments of the business.

The importance of these systems to adequate control lies in the fact that many companies have faced their most critical tasks of survival at precisely the time their accounting system reveals peak profits. Too often, such companies are not keeping up with their competition in areas which are not directly measured or communicated by the accounting system.

To illustrate this point and to emphasize the importance of various types of reporting and control systems outside the realm of accounting, let me give you two examples:

1. In one of the retailing divisions of an apparel manufacturing company, profits had been maintained at a high level. What the accounting system did not show was that the division was increasingly losing competitive position through its failure to keep up with industry trends and population shifts through the development of new and better store locations. Over a period of years it found itself "frozen out" of all the desirable locations, and faced with the alternative of declining volume or paying excessively high rentals to obtain the privileged locations. Lacking an adequate management information system, the company had no adequate control over the critical factor in the operation of its business. Not until long after the damage was done did the accounting system reflect the true situation.

2. In an airline company, a far-reaching economy drive led to substantial reductions in repair parts inventories and to cuts in the number of sales and ticketing personnel. The result was an improvement in the financial statements of the company. But the absence of adequate control systems failed to indicate that repair parts shortages were seriously impairing flight schedules and that personnel changes had increased customer waiting time at ticket counters and telephone stations. Only after substantial loss of competitive position had occurred did the company develop control systems which enabled it to rectify the situation.

In recognition of these needs in controlling the factors critical to the success of the business, formal management information and control systems have been developed throughout industry. The emergence of the systems concept has been stimulated not only by technical break-throughs in data-processing and operations research, but also by the development of the concepts of planning and control and by decentralization. Decentralization has been a particularly important factor because it has required far better controls than most companies had previously dreamed of. As a result, the development of systems has progressed rapidly over the past ten years.

Traditionally, the actual data handling required by each department or function of the business has almost always been carried out within the confines of that department. What systems design existed was also carried out on a more or less informal basis within each department or function. Each department was a data-processing and systems unit unto itself. What is happening today is that both the systems effort and the data handling activity are being moved out from within individual departments and centered under a separate department responsible for managing the flow of information in the business. The establishment of a corporate systems function means that operating people or professional staffs are being relieved from the responsibilities about which they know little and are being provided with the information they need to perform their basic tasks.

The result of all this has been that the management of the flow of information is coming to be recognized as a major management task. To illustrate what is happening let me draw on the findings of a survey which my Firm has recently completed which assesses the results and approaches taken by 27 major companies with long experience in computer systems, operations research techniques and the like. We found that in these companies which have been outstandingly successful in their systems efforts (and these are still a minority) executive responsibility for the systems effort is almost always lodged with an executive reporting directly to the president of the company. A number of the most successful companies have set up a special executive responsible for the company's systems effort or for systems and long-range planning efforts. Needless to say, this executive occupies a rank equal to or occasionally even higher than the rank of the controller in the organization. In the majority of the 27 companies surveyed, we found that the controller had instituted the computer systems effort and that it was he who initially had responsibility for this effort. But now 5, 6, or 7 years later, two patterns are apparent. In some cases, the controller has maintained responsibility for a company-made computer systems effort and some of these have been highly successful. In others, he has had very limited results—chiefly confined to the area of accounting systems. But in one-third of the companies, responsibility for the computer systems effort has been moved out from under the controller, occasionally to new controllers with broader background and stronger administrative skills, but more often to a different executive. The accounting group is falling into one of two roles. Either it has assumed responsibility for managing the flow of information throughout the company or else, (through its exclusive preoccupation with accounting), it has found itself in an ancillary role in which it merely receives accounting data from the information system and supplies certain accounting procedures and data to this system.

To illustrate the significance that systems efforts are coming to occupy in industry today, let me turn your attention to the nine companies out of the 27 in our survey who happen to have far outstripped the other firms with respect to tangible results. These nine leading companies have achieved major operating and administrative savings from their computer systems effort as well as obtaining real benefits in form of significantly better information actually being used to manage the business and in terms of effectively using the speed and flexibility of the computer to assist them in managing their operations. The achievements of this group are in dramatic contrast to the results obtained by most companies from their systems effort. And I believe the accomplishments of the leaders point the direction of company systems efforts over the next five years.

First of all, the system efforts in these nine companies represents a *major effort* in each company. The returns these companies have achieved to date from their investment and systems efforts have been so high that they are typically re-investing each year an amount on systems and computer efforts equal to 10 or 15 per cent of their total annual capital outlay for plant and equipment. For the typical company in the survey, this means an anual level of spending of several millions of dollars, and for some of the largest it means annual expenditures of $10 million or more. Not only does this give some feel for the importance of the systems effort to the company, but its significance can be further understood when one compares this figure to the amount invested by the less successful companies. The other 18 companies in the survey averaged an annual expenditure of about 3 per cent of their capital expenditures. What is happening is that these leading companies have learned how to manage their systems effort with the result that they are receiving major benefits and are widening the gap between themselves and their competitors through their increased know-how and heavy expenditures. Interestingly enough, in two out of three most successful companies we found in the survey, the computer systems effort no longer reports to the controller. And this is what concerns me today, because I believe it is logically the function of the accounting group.

Secondly, and equally as important as the magnitude of the systems effort in these companies is the fact that the systems in these nine companies represent a *major competitive tool* with important implications for the accounting and control function. Let me illustrate this with a few examples.

1. Setting Inventory Levels.
2. Control of Working Capital and the Development of Sales Forecasting and Production Scheduling Information.
3. Measuring the Impact of Wage Negotiation Proposals.
4. Collapsing the Accounting and Manufacturing Information Systems.

Thirdly, what is happening in these lead companies is that they are heading towards a total systems concept. The accounting functions are inevitably being merged and integrated with the other functions. That this is almost inevitable is readily apparent if one considers the basic sets of subsystems which exist in a typical make and sell company. Listed below are the four basic systems cycles for such a company.

MAJOR SYSTEMS IN A MANUFACTURING ENTERPRISING

Cycle A
Order Processing
Finished Goods Inventory
Billing
Accounts Receivable
Sales Analyses
Sales Accounting

Cycle B
Sales Forecasting
Production Scheduling
Work-in-process Inventory
Raw Material Inventory
Accounts Payable
Cost Accounting

Cycle C
Manpower Scheduling
Production Reporting
Payroll
Labor Distribution

Cycle D
Management Reporting
General Accounting

As you can see, the subsystems in each cycle are very much interrelated. As integrated systems are developed they are pulling together these hitherto independent operating and accounting functions into one over-all system. For example, looking at Cycle A, the over-all system for processing a sales order by computer encompasses 6 subsystems which had hitherto been largely independent. At least 3 of these subsystems represent functions traditionally performed by the accounting group. The same is true of the other cycles. For example, Cycle B, centering around the processing of a production order, encompasses at least two functions previously done by accounting as well as other functions formerly carried out by other departments of the company.

Against this background of change, what is the opportunity for accountants? Look at

1. Systems people have traditionally been so concerned with matters of procedure and processing techniques rather than with management needs and with the type of information required that accountants can make a major contribution—and a much-needed one (I have not dwelt on the reasons why most companies are lagging far behind the lead companies in their systems efforts, but this is certainly one of them).

2. Accountants generally have training in business, economics, and quantitative analysis. As such, their skills and their ability to work with operating people are sorely needed since the type of systems I have been describing are largely dependent on the participation and cooperation of operating people throughout the company.

One of the most significant things about the types of changes that I have tried to indicate here is that they are occurring in only a very few companies. Even among companies with long experience selected as most likely to have achieved major results, we found that only one-third of the companies had been successful with their systems efforts. In a less biased sample, representing a more typical cross section of American business, even a larger share than two-thirds of the companies could be classed as successful in their computer systems efforts. In far too many companies, the computer systems effort has not produced savings or other benefits sufficient to offset the cost of the effort. In this situation, the accountant can make a major contribution.

What is it that needs doing? Principally a gap-bridging operation for which the accountant is particularly suited:

1. Need for design of real control and decision-making systems—as opposed to mere mechanization. Systems design and conceptual thinking about the information needs and objectives of the business are needed instead of current concentration or merely programming.

2. Need to focus systems efforts on the key success factors of the business. Must see that systems effort is moved out of the accounting office and into the operations of the business.

3. Need to bridge the gap between the computer operations research technical personnel and the management of the business. Accountants can and must work with the technicians to apply the skills of these people.

4. Need to gain the authorship and participation of operating personnel in the development of decision-making and control systems, rather than being a headquarters staff effort.

If he can do these things, the accountant will have fulfilled a major need—and his rightful leadership role—in American business today as the architect of formal systems for communicating quantitative information for control and decision-making. It is a new role and one which is highly demanding in terms of broadened skills required in working with people and in mastery of technical knowledge.

RESOLVING THE ENIGMA OF SYSTEMS EDUCATION

James P. Mason
Manager of Systems and Services,
Diamond Alkali Company
Cleveland

Introduction

In discussing the education aspects of the business systems function, we must first appreciate that the systems analyst (often termed the systems man or systems engineer) is a newcomer to the business scene, and therefore the "state of the art" has had scant time for substantive reappraisal. For example, the Systems and Procedures Association (SPA) was organized only in 1945 and incorporated two years later. SPA has but a restricted membership of 4,000, but nevertheless, it is conservatively estimated that at least 150,000 business executives and supporting staff personnel are today expending their total or near-total effort in business systems research, planning and directly related operating responsibilities. Oddly, but possibly because of the divergent range of responsibilities enveloping varied systems functions, no commonly accepted definition of the systems area yet exists. Therefore, let us develop a brief term: the business systems function is most commonly recognized as the uninterrupted study and assessment of varied business policies, practices, operations and organizational structures for the purpose of translating all objectives of management into the most effective and efficient configuration of business information flow and processing. Obviously, profit contributions and tactical operating advantages are inherent results of such efforts. With such explanation, we logically should next review the distinguished features of current day business environment to better appreciate the educational and productive challenges interposed between the systems man and fulfillment of his mission. Specific comments relating to the systems function have been periodically inserted to appropriately associate the systems individual with pertinent observations of a more general nature.

The Corporate Structure

As a major factor in our dynamic business environment, the business corporation of today's society embodies at least three main characteristics. First, the expansion and decentralization of operations and product diversification have created a very complex organizational structure which commonly impedes communication flow. Second, technological advancements and governmental influences at an ever quickening pace are radically reshaping corporate planning and operating practices in most every phase of business endeavor. Third, the service worker, as opposed to the production worker, now comprises about 60 per cent of the total labor force in the United States. As a result, the mounting cost of functional and service support functions is of growing concern to management, and doubly so when appraising the effects of intensified competition.

The systems man, as a component of the modern business office environment, is adept in analyzing involved operating situations and in designing business information networks embracing varied needs and functions. Explicit familiarity with changing business tools—such as new techniques, organization fundamentals and automated equipment—promotes his broad services. In solving varied problems including improvements in operating efficiencies and in the effectiveness of control methods, the systems individual in effect serves as an internal consultant to (other) specialized managers.

Are White Collar Jobs on the Downswing?

The various indicators pointing to further expansion rather than contraction of the service (or white collar) work force are of particular significance. The impact of the computer, furthermore, has not noticeably reversed the growth trend. The United States Department of Labor reports that total service workers have climbed from 46.5 per cent in 1900 to 60.8 per cent in May of 1961. Furthermore, in a special forecast report entitled "Guide to Manpower: Challenge of the 1960's", the Department of Labor predicts that during this decade service workers will increase their ranks by 31.4 per cent (a growth from 35.7 million to 46.9 million) whereas production workers will increase only 15.1 per cent (a growth from 29.8 million to 34.3 million). During the same ten-year span, professional and technical workers will supposedly increase 46.5 per cent to become 10.4 million in number. The Department of Labor's forecast for the 1960's also reveals that: " . . . Despite the advances in automation in record-keeping, the increasing volume of paperwork will result in an increasing demand for clerical workers."

A continued growth trend in service-type work is also indicated by a recent independent survey conducted by the editorial staff of a well known business magazine (Business Automation, February, 1963) wherein Rochester, New York, was selected and reviewed to determine the influence of business automation on white collar employment. Of some 5,300 business establishments in Rochester, the survey team reported that

76 companies use some form of modern data processing equipment and collectively employ approximately one-half of Rochester's total white collar working force. The Business Automation survey report concludes that white collar employment in those 76 companies increased at an average rate of 4.7 per cent per year since 1947, whereas total employment for the same companies increased only at an average rate of 3.18 per cent per year. By contrast, total Rochester employment including production workers increased at an average rate of only 1.4 per cent per year.

The business systems operation is well equipped to (1) critically review and evaluate all office work for automation possiblities; (2) devise or introduce and implement new approaches to managerial decision making in the control of operations which are typically far flung, super-structured and technically complex. The systems analyst is trained in all phases of paper work analysis, organization and communication flow.

What Destiny For The Computer?

The computer should be regarded as a new business tool that is confined to the conventional judgments related with other business equipment and activities. Current-day digital computers estimated at nearly 11,000 units in the United States, afford challenging opportunities for processing monotonous, routine office work. However, many existing applications of routine work frequently have proven to be either non-self-sustaining or only marginally justified. A special "make-good" survey of 27 leading companies by a major consulting firm revealed that eighteen "average" companies perceive the computer only as an advanced accounting tool restriced to traditional office work functions. The "above-average" group of nine companies envision "the computer-systems effort as a major economic resource to be used in running the business. Further, the computer effort is held no more sacrosanct than any other new corporate activity and thus is subject to the same management processes." Of prime interest is that the nine above-average companies directed their more successful computer effort toward these crucial decision areas (in major to minor sequence): sales forecasting, manpower and production scheduling, inventory management, marketing information, materials procurement and quality control information. Therefore, the true potential of the computer appears to be within broad applications targeting major operating decisions.

Recognized authorities on computer processing generally agree that sophisticated decision making by computer routines will require several years of additional developmental efforts to penetrate the upper management area. This fact however does not preclude the tactical decision making of middle management, including rule-book type of decisions delegated to unit supervisors, for substantial work has already been successfully transferred to machines. The significance of computerizing the decision making processes is that of identifying—step by step sequence— a series of determinations which finally resolve into a "do this" or "do that" type of recommendation. The formulation of such basic methodology is the unique fact, and not the computer application aspect. Of course, upon defining the basic steps of each decision process, the opportunity prevails to test and possibly improve upon the logic involved, or when feasible, to utilize an appropriate management science technique to obtain more accurate solutions.

Similarly as for any other office machine class, the systems analyst must be well oriented in all phases of computer applications study, planning, peripheral equipment, programming concepts, installation and operating guide lines. He must be alert to recognize: flexibilities and limitations; efficient applications from the inefficient; opportunity for integrating subsystems rather than perpetuate island-type processing functions; intangible benefits versus in-pocket savings; practical solutions from the wishful. Most importantly, the systems man must deploy maximum creativity and as well envision the effects of future possible demands in designing the system to make it flexible but yet compact.

Current magnetic tape types of computers still present many limitations for expedient programming and actual processing of business information, but each new class of equipment introduced has offered major advances. Except for major installations which capture broad across-the-board programs, internal education has often been on a "hit-skip-wait-and-see" basis. Management is often reticent to explain the outlook for the computer; supervisory orientation is minimal; the sales-training effort is limited; and finally the systems analyst is overly absorbed with an ambitious completion schedule. Frequently the functions under review for computer integration are ill-defined and consequently the analyst is hard-pressed to find sufficient time for deep probing of short-cut methods or adapting available management sciences approaches. Despite all retardant factors, the computer increasingly will be applied as a major business tool in management's anxiety to discover better answers to the planning and controlling of their operations.

The solution to business problems of increasing complexity lies within tactical business information, improved corporate planning and more exacting methods of control. Unfortunately computers have been either insufficiently utilized to effectively supply such information or have failed in many instances to produce the tangible savings sought. Again, those corporations pioneering in formal systems of organized planning as opposed to strictly intuitive approaches, are deriving worthwhile results, but they do not foresee any early emergence of organized planning as a formal discipline.

Conventional control methods frequently prove ineffective when administrating functions within the multi-leveled organization structures of modern industry. Divisional authorities, decentralized operations and pyramiding staff functions operate as quasi-independent entities within a broad framework of company policy. Typically, positions[1] of a technical or analytical nature involving decision making, complicate normal evaluation of need and control. As office automation continues to devour more of the routine clerical work, savings derived appear to be quickly nullified by the continued growth of middle management who petitions for additional and more costly business information. Pressure applied to one area, as with an inflated ballon, merely creates pressure elsewhere.

Management is today faced with several educational urgencies. Upper-echelon personnel must be periodically exposed to newly introduced business techniques and become familiar with management practices. This better permits them to cope with the increasing complexities of the business society. Management, also, must look into the future and determine the type of graduate to hire today as a potential manager in 1975 or 1985. Should such recruits be technically competent, and if so, competent in what? Or should the prospect be a product of solely a liberal arts education? Or should the recruit be a generalist who has a well-rounded general education with a basic but limited grasp of business tool subjects?

The systems analyst frequently refers to himself as a "generalist" for he has as many hats as there are departments. To adequately fulfill his varied missions, he must be management minded and yet unravel and rebuild in orderly fashion multitudinous detail. He has the analytical capacity and insight to identify and solve problems of all shapes and sizes.

The business specialist is often poorly prepared for broad managerial positions because of his limited exposures. Also, many managers have permitted themselves to become ingrown and are unable to resolve—or fully comprehend—the difficult inter-related problems associated with administrative-type positions. Therefore, the average businessman should supplement his specialized skills with additional education, or with training

[1] Examples of such positions are assistant managers, supply and transportation specialists, laboratory technicians, marketing and financial analysts, schedule planners, training and similar coordinators.

courses which are frequently offered by the corporation's manpower development team, or acquire broadened knowledge through a job rotation program.

However, the systems analyst normally enjoys a broad exposure to most all problems of his business environment. His unique problem solving assignments transport him into all areas and levels of organization. An intimate awareness of company philosophies, policies and practices is mandatory in the effective performance of his responsibilities.

What is the Educational Scope of Systems Work?

Systems work involvement has been largely indicated, but such concepts as total systems, management by exception, management audits, real time systems and special techniques common to the operations research area have not been mentioned. One particular approach is that of the total systems concept. A simplified definition could be: upon entry into an interlocking system of collection and processing devices, a single item of information is reviewed, acted upon and subsequently interacts with all other related functions, and related business items, to produce several pre-planned objectives. For example, one total system could envelope the complete chain of events resulting from the receipt of a single sales order; sales, inventory, production, accounting, finance and other related interests would interact to reflect the original item in an appropriate storage location for later recall and inclusion with all information released.

Formal educational opportunities for the systems analyst have been limited to the conventional college curriculum courses. Even though systems men are predominately business school graduates, degrees held from engineering or liberal arts colleges and universities are commonplace. Advanced degrees are also of similar varied origin. Currently, no accredited institution of higher learning offers a degree course in business systems education, but at least one major university intends to offer a four-year systems curriculum in the near future. Also, the Systems and Procedures Association will introduce this summer the first formalized text on systems work. Intended as a guide line for educators, the text outlines subjects for a two-semester undergraduate systems course and represents SPA's initial effort toward an ultimate four year course outline package. Incidentally, New York University has offered a major in data processing since 1957. Doctor J. R. Beishline, Chairman of the Department of Mathematics in the School of Commerce, Accounts and Finance at NYU, interprets the course as not providing a "finished manager," or systems man, but instead, providing an individual with some inclination for data processing. The course includes subjects within the areas of computers, operations research, quantitative analysis and systems.

Consequently, the systems individual has been forced to supplement his college education with a variety of additives, such as selected courses offered by night schools; SPA sponsored correspondence courses; seminars, workshops and conferences; avid reading of commercial magazines, journals, proceedings and informative books expressly directed toward systems work. Primarily, though, the systems man has relied heavily upon on-the-job training and by osmosis. Such make-shift methods naturally impose extended training periods of several years to acquire familiarity with most phases of systems work including the policies and practices endorsed by the employee's own company.

In designing an effective systems course, the university must include as requisites the "attitudes" as well as the major techniques (or tools) of systems work. Also to be included, in thoughtful combination, are other selected business root subjects, management sciences and a limited number of subjects from the arts and sciences. The course objective would be to get across to the student the *current-day* (not outmoded) philosophies, practices and techniques actually used by progressive management in planning and controlling their business operations. Theory would be adequately supplied by the core program. The systems aspirant should be installed with abundant enthusiasm for creativity for this is the forte of the successful "pro." As the business environment reflects continual change, subject matter in the systems course must be constantly reviewed for obvious reasons.

Because of unique requirements, the systems course can be best taught on a modified practice school basis, particularly for many senior year subject areas, wherein the problems and complexities of business are carefully explored through group discussion and penetrating projects. To fortify such projects, leaders from private industry and commerce and recognized experts from education, should be solicited for short-term stays on the campus to enable for each of the selected subject areas the possibility for exhaustive definition, common problem identification and the exploration of alternate solutions. Here again, the assessment of alternate solution possibilities is an important basic of systems work. To facilitate the visiting professor plan, an exchange system can possibly be evolved. Businesses (and alumni) today are quite generous in their dollar contributions for new physical facilities; but of equal and increasing need, is the direct contribution of modern business intelligence to the educational effort. Conversely, the transporting of college professors onto the business scene for orientation purposes, is also essential but possibly less productive (amidst ringing phones and urgent requests) and equally disruptive. In any event, some voluntary exchange flow appears essential to maintain in the future keener appreciation for the broader and deeper complexities of our business society.

By way of further explanation of background supporting specific subject inclusion in a curriculum designed for the systems area, general business programs must be reviewed. Less meaningful courses, such as those which were artificially created to re-emphasize special approaches to such basic subjects as psychology, should be critically reappraised. Course replacements should follow the general patterns as proposed by Frank C. Pierson & others in his book titled "Education of American Businessmen." For example, today's conventional accounting program can be reassembled into four or five major courses strongly directed toward the under-lying concepts, basic processes and the uses and limitations of accounting in quantifying and controlling operations. De-emphasis of accounting formats, such as recording procedures and practice sets, does appear appropriate since automation has already deleted many by-rote practices. The business methods of yester-year should not be accorded attention at the expense of study of current business actualities. Wide divergence of opinion exists in the relative value of general education as opposed to technical business training as preparation for business. Until such time as business leaders and educators resolve this impasse, the business student should be more specialist than generalist. (Upon reflection, perhaps some university, such as Ohio State, could sponsor a council of select leaders in education and business to intently study and conclude the business training issue.)

As a proponent of a modified practice school approach for advanced studies in undergraduate work for systems work, one must quickly acknowledge that the graduating senior will possess only a working knowledge of basic business tools. But importantly, he will have some perception of the environment in which they are applied. Also, even though aware of common problem situations, his abilities for problem solution will be extremely limited. Nevertheless, the exploring of typical problem solutions is expedient to more fully relate the scope and depth of a particular problem area. In effect, the veteran systems man is basically an experienced problem-solver.

With little attempted rationalization and without separation by college year, the following suggested business systems course curriculum appears to answer at least the major needs for the aspiring systems student:

SYSTEMS ANALYSIS CURRICULUM FOR UNDERGRADUATE DEGREE

Core—General Foundation Subjects	Semester Hours
English Composition and Literature	6
Mathematics	12
Economics—varied	6
Biological—Science, Physics or Chem.	6
Social Sciences—Psychology	3
Humanities—Philosophy	3
Sub total	36
Electives	6
Core Total	42
Business Subjects	
Systems—Major Subject	20
Accounting & Statistics	15
Functional Business Areas (4)	12
Bus. Environment—Internal, External	6
Law and Taxes	6
Organization Planning	3
Operations Research	3
Presentations—Written, Visual	3
Sub Total	68
Electives	8
Business Subjects Total	76
GRAND TOTAL	118

The further collaboration of businessman and educator can dissipate today's existing confusion and provide realistic plans for the near tomorrow. Why even the systems man might have his course!

REVENUE ALTERNATIVES FOR OHIO

C. Emory Glander
President, National Tax Association;
Wright, Harlor, Morris, Arnold & Glander,
Columbus, Ohio

PRELIMINARY COMMENTS

A. These are times of governmental fiscal ferment, and we need to gear ourselves at once to the tremendous new challenges that actually defy accomplishment—*tax reduction and reform,* in the Federal tax field; *revenue adequacy,* in the State and local tax fields; and *fiscal sanity* and *tax coordination,* in all tax fields.

B. In the Federal field, the Treasury has been quoted as predicting that the Administration plan to cut taxes by 10 billions would raise personal incomes enough to add 1.5 billions to State revenues and 1.4 billions to local revenues. But what would happen to these prospective "windfall" revenues if Congress should also cut spending? Would they be eaten up by the costs of governmental programs that might necessarily be shifted back to the States?

C. For more than a decade now, while we have been preoccupied with Federal taxes, the pressure of climbing State revenues in this nation has continued unabated. The year 1961 was marked by a heavy round of State tax increases. While there was some easing off in 1962, the indications are that 1963 will be a heavy legislative year marked by major new taxes among the States.

D. Ohio has not escaped the government fiscal virus. We witness a new State Administration, which inherited a deficit, courageously trying to make ends meet by cutting expenditures, and vigorously promoting economy and efficiency, in a governmental system that has "built-in" counterbalancing governmental cost increases. It is a most refreshing and commendable effort—and may it succeed!

E. But we must realistically confront the possibility that national trends in State and local finance may not indefinitely be avoided in Ohio, and prepare ourselves accordingly. For this very practical reason, I want today to conduct a kind of Seminar in Ohio's State and local revenue system, and discuss some of the revenue alternatives which might be considered if current economy measures, unfortunately, should prove to be inadequate.

I. State Powers of Taxation

A. Power of General Assembly to tax is an inherent part of its general legislative powers.

1. "The power to tax is an attribute of sovereignty and in this state is included in the general legislative power which is conferred by Sec. 1, Art. II of the Constitution upon the general assembly without limitation." *Saviers v. Smith,* 101 Ohio St. 132 (1920).
2. Laws providing for tax levies go into immediate effect and are not subject to the referendum. Art. II, Sec. ld.

B. Notwithstanding the general legislative grant of taxing powers, constitutional amendments adopted in 1912 authorize the General Assembly to levy particular forms of taxes.

1. *Inheritance Tax*—which may be uniform or graduated. Art. XII, Sec. 7.
2. *Income Tax*—which may be uniform or graduated. Art. XII, Sec. 8.
3. *Excise and Franchise Taxes*—including taxes upon the production of coal, oil, gas and other minerals (severance taxes.) Art. XII, Sec. 10.

C. There are several constitutional mandates for exercise of the legislative taxing powers. Among them are:

1. Mandate to levy taxes to pay interest on bonded indebtedness of the State and to provide a sinking fund for bond redemption. Article XII, Sec. 11.
2. Mandate to provide for raising revenue sufficient to defray expenses of the State for each year, and to pay interest on the State debt. Art. XII, Sec. 4.
3. Mandate to tax for specified educational purposes—"The General Assembly shall make such provisions, by taxation, or otherwise, as . . . will secure a thorough and efficient system of common schools throughout the state; . . . " Art. VI, Sec. 2.

Reminiscent of Art. III of the Ordinance of The Northwest Territory (1787) which said: "Religion, morality, and knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged . . ."

II. Limitations Upon State Taxation and Spending

A. "No poll tax shall ever be levied in this state." Art. XII, Sec. 1.

B. Property taxation is limited. Art. XII, Sec. 2.

1. *The 10 mill limitation*—No property may be taxed ad valorem in excess of 1% of its true value in money without a majority vote of the electors of the taxing district, or unless provided for by the charter of a municipality.
2. *The uniform rule*—Land and improvements must be taxed by uniform rule according to value. Personal property was removed from this rule by a constitutional amendment in 1929 which led to an extensive revision of the Ohio personal property tax laws (the classification Act).

C. Property tax exemptions are limited. Art. XII, Sec. 2.

1. *Real property*—" . . . general laws may be passed to exempt burying grounds, public school houses, houses used exclusively for public worship, institutions used exclusively for charitable purposes, and public property used exclusively for any public purpose."
2. *Personal property*—Except for the equal protection provisions of the Constitution, the power of the General Assembly to exempt personal property is unlimited. *State, ex rel. Struble v. Davis*, 132 Ohio St. 555 (1937).

D. Income and excise taxation likewise is subject to certain limitations and restrictions.

1. Not less than 50% of any *income* and *inheritance* taxes must be returned to the county, school district, city, village, or township in which the tax originates, or to any of the same, as may be provided by law. Art. XII, Sec. 9; R.C. 5731.53.
2. *Motor fuel* taxes and motor vehicle *registration* and *use* taxes are earmarked for (a) construction, maintenance and repair of public highways and bridges, (b) state enforcement of traffic laws, and (3) hospitalization of indigent persons injured in motor vehicle accidents on the public highways. Art. XII, Sec. 5a.
3. No *sales tax* may be levied upon the purchase of food for human consumption off the premises where sold. Art. XII, Sec. 12.
4. "Taxation without representation" is not prohibited. This issue was disposed of by our Supreme Court in *State, ex rel. v. Sherman*,

104 Ohio St. 317 (1922) in these cryptic words: "We fear that counsel has mistaken the Declaration of Independence of 1776 for the Ohio Constitution."

E. Deficit spending is rigidly controlled. Art. VIII, Sec. 1, 2.

1. The aggregate amount of State debt may "never exceed seven hundred and fifty thousand dollars" (except debts to repel invasion, suppress insurrection, or defend the State in war).
2. Because of this provision, it has been necessary to amend the Constitution from time to time for such bond issues as the three veterans' bonuses in 1921, 1947 and 1956, the state highway bond issue in 1953, and the capital improvement, welfare and education bond issue in 1955.

III. Municipal Power of Taxation

A. Power of municipalities to tax now stems from the home-rule amendment of 1912.

1. Municipalities have authority to exercise all powers of local self-government. Art XVIII, Sec. 3.
2. Municipalities may adopt a charter and may exercise thereunder all powers of local self government. Art. XVIII, Sec. 7.
3. The home-rule amendment was found to be the fount of municipal taxing power of our Supreme Court in the case of *Zielonka v. Carrel*, 99 Ohio St. 220, (1919) in which the Court said: "There can be no doubt that the grant of authority to exercise all powers of local government includes the power of taxation, for without this power local government in cities could not exist for a day."
4. Prior to the home-rule amendment in 1912, municipalities possessed only those taxing powers as were granted by legislative authorization.

IV. Limitations on Municipal Taxation

A. The State is expressly authorized to restrict municipal taxing and borrowing power.

1. "The General Assembly shall . . . restrict their power of taxation, assessment, borrowing money, contracting debts and loaning their credit, so as to prevent the abuse of such power." Art. XIII, Sec. 6.
2. "Laws may be passed to limit the power of municipalities to levy taxes and incur debts for local purposes." Art. XVIII, Sec. 13.

B. The State may *impliedly* restrict municipal taxing power under the judicial pre-emption doctrine.

1. As stated in *Haefner v. City of Youngstown,* 147 Ohio St. 58 (1946), which involved a consumers' utility excise tax imposed by the city, municipal taxing power "may be limited by express statutory provisions or by implication flowing from state legislation which pre-empts the field by levying the same or a similar excise tax." Numerous Supreme Court decisions support this pre-emption doctrine.
2. The doctrine has no general application in the field of municipal income taxation because the State has not levied an income tax. This was decided in *Angell v. City of Toledo,* 153 Ohio St. 179 (1950).
3. Exercising its constitutional power to expressly limit municipal taxing power, the General Assembly in 1957 enacted the Uniform Municipal Income Tax Act which contains certain restrictive provisions.

V. The State and Local Revenue System Today

A. The Ohio revenue system is built upon two broad areas of taxation: (1) *property taxes,* which are almost entirely devoted to school and local governmental purposes; and (2) *excise taxes,* which are dedicated to the uses both of the State and of schools and local governments.

B. The property tax system and yields:

1. Real and public utility property	$ 747,435,122
2. Tangible personal property	224,525,545
3. Intangible personal property	36,378,254
Total	$1,008,338,921

C. The excise tax system and yields:

1. Retail sales and use	$ 254,287,786
2. Motor vehicle fuel	222,706,414
3. Public utilities	43,860,709
4. Cigarettes	65,136,365
5. Selective sales	28,236,832
6. Highway use	17,752,733
7. Inheritance and estate	30,496,433

8. Corporation franchise	50,648,013
9. Insurance companies	31,600,000
10. Horse racing	9,776,324
Total	$ 754,501,609

D. Thus, from revenue sources above, and not counting liquor profits and miscellaneous assessments and fees, Ohio today is taking in taxes, for state and local purposes over one billion, seven hundred million dollars each year.

E. In addition, there are at present 77 Ohio municipalities, including 55 cities and 22 villages, which levy an income tax, the maximum rate of 1% being currently effective in 32 jurisdictions.

F. Notwithstanding the foregoing, we are informed by the recent *Thatcher Report* (financed by the Ohio Farm Bureau Federation, Inc., the Ohio AFL-CIO, the Ohio Education Association, and the Ohio State Council of Retail Merchants) that:

1. In 1960, Ohio ranked 44th among the 50 states in general expenditures, per capita; and that the State's position in terms of expenditures by function were as follows:
2. *Highways.* Ohio ranked 20th in the United States in per capita expenditures. In terms of per cent of per capita personal income spent for highways, Ohio stood 30th among all states.
3. *Education.* In terms of per capita expenditures, Ohio fell from a rank of 34th in 1950 to 43rd out of 50 states by 1960. In terms of per capita expenditures as a per cent of per capita personal income, Ohio ranked 44th among the 50 states. Likewise, as a per cent of personal income, Ohio ranked 44th among the 50 states in the amount spent for higher education.
4. *Public Welfare.* Ohio ranked 31st among the 50 states in per capita expenditures.
5. *Health and Hospitals.* The average per capita expenditures for all states was $11.61 compared to $10.06 for Ohio. However, the rate of increase in Ohio from 1950 to 1960, 75%, was greater than the national average, 61.3%.
6. Combined state and local expenditures in Ohio in 1960 were less for every major function except highways than the national average or the average of eleven comparable states (Ohio, California, Illinois, Indiana, Massachusetts, Michigan, New Jersey, New York, Pennsylvania, Texas and Wisconsin.)

G. Nevertheless, the major fiscal question confronting Ohio is whether State and local governments can increase the present tax and expenditure burden without taking serious chances with the State's industrial future.

VI. If Economy Measures Fail—What Then?

A. Shall we increase existing tax rates?

1. A 4% sales tax, at the fiscal 1962 level and computed upon the existing tax base, would yield an increase of some $85 million.
2. A 1 cent per pack increase in the cigarette tax would yield about $13 million in additional revenue.
3. An increase in the corporation franchise tax from 3 mills to 5 mills per dollar of net worth would produce $25 million in additional revenue. (This tax rate was trebled several years ago).
4. Time will not permit extension of these estimates throughout the entire excise tax of structure; but the potential additional revenues are substantial.

B. Shall we broaden the base of the Sales and Use Taxes?

1. Increasing consumer spending for *services* are not reflected in these taxes, and the potential additional revenues from inclusion of selected services in the tax base are as follows:
   a. Personal Services—about $10 million.
   b. Business Services—about $14.8 million.
   c. Amusement Group—about $4.8 million.
   d. Auto Services—about $6.8 million.
   e. Repair Services—about $4.3 million.
   f. Professional and other services—$56.6 million.
   g. Public Utility Services—$31.7 million.
2. Additional millions of dollars annually would be realized by extending these taxes to the following:
   a. All sales under 31 cents—$11.5 million.
   b. Soft drinks—$21.3 million
   c. Motor vehicle fuel—$25-30 million.
   d. Cigarettes—$8-10 million.
   e. Beer and malt beverages—$7-10 million.
   f. Food for home consumption—$70 million.

C. Shall we enact a Personal Income Tax?

1. In 1960, 33 states taxed individual income; and 20 states had both sales and personal income taxes.
2. It has been suggested that the State might levy on each resident an income tax equal to a prescribed percentage of his Federal income tax. A tax of 10% of the Federal tax paid by Ohio residents would yield $230-250 million a year at existing levels of income.
3. A progressive rate structure of 1% on taxable incomes under $2,000, 2% on incomes from $2,000 to $5,000, 3% on incomes from $5,000 to $10,000, and 4% on incomes over $10,000 would yield $275 million per year.

D. Shall we enact a Corporation Income Tax?

1. In 1960, 37 states levied some form of corporation income tax, mostly at flat rates around 4 and 5 per cent.
2. At the present income level a flat rate of 1% would produce about $30 million, and this would increase to about $140 million at a flat rate of 5%.

E. Shall we enact a Business Activities (Value Added) Tax?

1. Michigan levies a tax on the gross receipts of business less the cost of materials, interest and rents paid and taxes. This tax yielded Michigan $72.3 million in 1960, at rates of 7.75 mills except for public utilities at 2 mills.
2. Such a tax by 5 mills levied on adjusted receipts of businesses in Ohio would produce approximately $140 million.
3. This form of tax has been critized because it is primarily a tax on wages and salaries, since goods and services purchased are deductible. As such, it is said to discriminate in favor of highly mechanized industries. Moreover, the tax is payable whether any profit is made or not.

(Note—All revenue estimates mentioned above are those projected by the Thatcher Report).

CONCLUSIONS

A. We should continue to promote strict economy in State government—and we should insist that local governments do likewise.

B. We should immediately undertake a comprehensive and continuing analysis of both short-term and long-range needs, particularly in such vital areas as education, and we should ascertain whether the present fiscal resources of the State will be adequate to meet these needs.

C. If an objective appraisal shows that existing fiscal resources are not adequate to meet reasonable and foreseeable needs, we should carefully consider the several revenue alternatives that are available.

D. As a source of new revenue, we should render the sales and other excise taxes more productive before enacting a State income tax. Entry of the State into the income tax field would invalidate automatically the numerous municipal income taxes by reason of the pre-emption doctrine. Although the General Assembly undoubtedly could enact *permissive legislation* which would enable municipalities to retain such taxes, it would result in a kind of double taxation which probably would not be palatable to Ohio taxpayers. Income taxes at three levels of government probably would be an overdose. Moreover, the fact that a state income tax would have to be shared with local governments, as provided in the Ohio Constitution, would not likely be regarded as an adequate substitute for the existing local taxes.

FOURTH SESSION
BANQUET

THURSDAY, MAY 16, 6:00 P.M.
Ohio Union—East Ballroom

Presiding:

ARTHUR D. LYNN, JR., PH.D., *Associate Dean, College of Commerce and Administration, The Ohio State University, Columbus*

Greetings:

ALFRED B. GARRETT, PH.D., *Vice President for Research, The Ohio State University, Columbus*

Paper: "Performance Measurements—Too Hot to Handle?"

WM. TRAVERS JEROME, III, D.C.S., *Dean, College of Business Administration, Syracuse University, Syracuse, New York*

Presentation of distinguished accountants elected to The Accounting Hall of Fame by Elmer G. Beamer, CPA, Chairman of Board of Nominations; Partner, Haskins & Sells, Cleveland, Ohio:

ANDREW BARR

LLOYD MOREY

PERFORMANCE MEASUREMENTS—TOO HOT TO HANDLE?

Wm. Travers Jerome III, *Dean*
Syracuse University College of Business Administration
Syracuse, New York

The subject of measurements—especially those having to do with administrative performance—is one that I approach with trepidation. And yet I cannot resist the temptation on an occasion such as this, which does honor to some of the more combative of your profession, to sound a clarion call. Thus the purpose of this paper is to urge the professional accountant to encourage executives in business, government, and eleemosynary organizations to develop performance measuremnts. In fact, in this realm of performance measurements I see interesting opportunities for you:

- opportunities to help curb the mounting flood of paperwork that promises to bureaucratize us all—whether we work in the public or private domain;
- opportunities to collect, interpret, and report data to lessen the buck-passing, the fault-finding, the paralysis by analysis that is increasingly characterizing our large organizations;
- opportunities to create a revolution in the art of management that will be compatible with the revolution already occurring in communications techniques (*i.e.* EDP, closed circuit TV, Tele-star); and
- opportunities to create *within* organizations an ethical basis for reporting and for appraising accomplishments comparable to the code established for *external* reporting.

You will observe that I have listed the preceding under the caption of "opportunities." Were I inclined to be pessimistic about our ingenuity I would have referred to the foregoing as problems—the flood of paper in the name of control, the paralysis in decision making often under the guise of getting more facts so that the decisions can be more scientific, the adoption of a vast array of mechanical communication devices as though improved understanding is an outgrowth of increased verbosity. These danger signals—so serious for the country's future progress—are opportunities for you in the same sense that Boss Kettering saw the failures of others as opportunities for his own inventive genius.

So much for the challenge. The point that now must be examined is how performance measurements can help to resolve these problems.

Performance measurements have existed in some manner from time immemorial. Moreover, in theory, performance measurements are the essence of simplicity itself in that they represent some sort of criteria for evaluating how successfully assigned tasks are being done. Notwithstanding the theoretical simplicity of performance measurements, those designed for executive performance have typically been illusive. Thus executive measurements tend to be:

- qualitative in the sense of being to a boss' subjective evaluation;
- based on after-the-fact criteria rather than on desired results; and
- partial or ad hoc in the sense that an executive's actions or decisions are not always evaluated in terms of their long-range effects on the organization's over-all accomplishments.

What then is involved in minimizing the foregoing shortcomings? I would suggest that the development of proper measurements of executive performance requires some combination of the following four factors:

- Ability to analyze the tasks (jobs) to be done in such a way that results can be defined—particularly those results bearing on long-run improvement in profits or services
- Ability to assign (attribute) such results or some portion of them to one or more executives
- Ability to compare actual (current) performance against the desired results in time to take corrective action if needed
- Ability to see the importance of determining each of these results within the framework of long-range planning

Does the above prescription sound pretty simple? It should. And yet its very simplicity will make any systematic approach to measurements a hot item to handle. There are at least three reasons why I believe that when you play with performance measurements at the executive level you play around with dynamite.

The first and most important reason why this is so is implicit in the nature of performance measurements. They simply remove the wraps from double talk and play-acting. They force boss and subordinate alike to go on record not only as to what each intends to accomplish, but also as to how each expects his achievements to be judged. When you say this is what I plan to do and these are the criteria by which I should be judged you have your neck way out—just like the great "Babe" Ruth when he pointed to the stands the target for his classic home run.

Take, for example, such a measurement as return on operating investment—the chief measure used in the du Pont Company to appraise the performance of each of the general managers of the industrial departments. Separate forecasts are prepared by the general managers and their success in achieving a specified return is reviewed quarterly with the Executive Committee in a special chart room. Or as an example of measurements at a level below a self-contained profit center (such as du Pont's departments are) take SOHIO's standards for a Division Area Supervisor in first Safety and second in Personnel Administration:[1]

Safety

Performance is satisfactory when—

a. Frequency of serious injuries is less than 10.0 per million man-hours.
b. Frequency of lost time injuries is less than 4.0 per million man-hours.
c. Frequency of vehicle accidents is less than .35 per hundred thousand miles.

Personnel Administration

Performance is satisfactory when—

a. Hours paid for, not worked (excluding vacations) are less than 15 per 1,000 man-hours.
b. Overtime hours are less than 4 per cent of scheduled hours.

Or in government think what would happen if the public really had a way of knowing what specific results our officials expect to accomplish—and even more important, how *in advance* they would like their successes appraised. To some extent this approach has been followed with our space probes—and I think with many salutary effects. If performance measurements are similarly developed, costed, and publicized in an area such as highway safety, I could imagine some very interesting consequences. Thus it would be possible to demonstrate reasonably accurately the cost in terms

[1] Enell, John W., and George H. Haas, *Setting Standards for Executive Performance*, AMA Research Study 42, New York: American Management Association, Inc., 1960. Note: SOHIO has developed measurements in areas other than the two cited above.

of additional highway patrol of saving life. Can you visualize the heat generated by a body politic provided with this sort of information when forced to make a rational decision between spending scarce dollars on highway safety versus crop support or social welfare?

A second reason why performance measurements are hot to handle is that they point up the inadequacy of many information systems. Thus S. A. Spencer in an article suggestively entitled, "The Dark at the Top of the Stairs: What Higher Management Needs from Information Systems"* points out that information systems are not designed for the three levels involved in management planning and control, that is, the levels of daily operations, of short-term profit improvement needs, and of long-range planning strategy. Moreover, the system does not match the organization—in the sense of people being held responsible for results. Information is also in terms of dollars rather than in terms of such results as number of salesmen trained, number of calls made, speed of service, on-time delivery, frequency and nature of complaints, waste, remakes, or market position. The causes for these inadequacies:

- Management information systems are essentially only accounting systems.
- These systems—and many reports—have been developed for people and organizations no longer around.
- These systems were developed before EDP—and therefore tend to produce details rather than pointed and related reports.

Yet a third explanation for the potential explosiveness of performance measurements is that their effective use demands the development of a viable and acceptable control philosophy—something that most hard-headed managers are unwilling to buy. The dependence of performance measurements on a systematic approach to long-range planning, for example, is not clearly enough seen. The use and interpretation of profile studies to measure effectiveness in areas of innovation or employee attitudes is not well enough understood. The problems involved in managing and motivating professional and highly educated persons are not generally recognized. Control is sought for principally in terms of some sort of scientific decision-making technique, like Operations Research, rather than at least equally in the honesty of people and in the vitality of the climate cultivated by the top executives in the organization. Perhaps Theodore Yntema, Vice-President of Ford Motors, has expressed the real issues as well as anyone when he

* *Management Review* (July 1962, Vol. 51, No. 7).

remarked that "measurements and controls are subjects for the philosopher." In brief, the administrator or accountant who approaches performance measurements in a literal or mechanical fashion will get burned and get burned badly.

And so I come back to the initial point of this talk—namely, performance measurements offer a challenging area to anyone engaged in the accounting, controllership field. I say this because I believe that the understanding use of performance measurements may be the means for bringing about a new way of managing compatible with the new technology, especially of communications, and with the new kind of well educated and potentially dedicated professional increasingly employed by business and government.

I believe that performance measurements will force a new way of managing for the following reasons—and these deserve constant repetition:

- The definition of specific results (*i.e.* performance measurements) will help to focus attention on the total logic of the situation—will in effect frequently enable the situation itself to give the orders rather than an all-wise boss.
- The logic of the situation, in the sense of perceiving the most likely alternatives, can be articulated only if long-range planning is seriously and systematically undertaken.
- Performance measurements to achieve the cathartic effect postulated for them will necessitate marked improvement in information systems.
- The climate within organizations can become less boss-oriented and more goal-oriented, and can thereby encourage creativity rather than conformity.

It is also worth repeating that the development of a system of performance measurements provides the accountant with some exciting opportunities. His training, his unique experiences, his theoretical objectivity, his dedication to getting verifiable evidence—all qualify him to help stimulate the design of a system of performance measurements. A potential booby trap, however, exists for the accounting trained (and actually for most who use performance measurements): this is the tendency to be too compliance-minded, to concentrate on individual measures rather than on the success with which the total job is being done. Failure to achieve a stated result is no necessary indication of incompetence or of error. The deviation is primarily an invitation to look at what is being done to see whether improvements are possible. Performance measurements, in short, can contribute greatly to vitality in complex organizations. But for the unwary, they will prove hot to handle.

FIFTH SESSION

FRIDAY, MAY 17, 10:00 A.M.
Ohio Union—West Ballroom

Presiding:

DONALD W. BACON, C.P.A., *President, Federal Government Accountants Association; Internal Revenue Service, Boston, Massachusetts*

Paper: "The Accounting Principles Board and Uniformity in Financial Reporting"

THOMAS G. HIGGINS, C.P.A., *Partner, Arthur Young & Company, New York, New York*

Paper: "Are We Expected to Eliminate all Alternatives?"

HASSEL TIPPIT, C.P.A., *Managing Partner, Ernst & Ernst, Cleveland, Ohio*

THE ACCOUNTING PRINCIPLES BOARD AND UNIFORMITY IN FINANCIAL REPORTING

T. G. HIGGINS
Partner, Arthur Young & Company,
New York, New York

It is a great pleasure to be with you this morning, and especially to share the platform with my good friend, Hassel Tippit. Hassel and I are very interested in the problems of financial reporting and the work of the American Institute's Accounting Principles Board, of which we both are members. Because of this interest, our paths cross frequently these days. Sometimes we agree with each other; sometimes we don't.

One of the points on which we differ is the need for a high degree of uniformity in financial reporting and, hence, in the application of accounting principles. I believe we must have more uniformity in accounting, and I will discuss this morning how I think the Accounting Principles Board can be instrumental in achieving this goal.

Attention to accounting principles

The problem of accounting uniformity is certainly nothing new. This was brought out in the preface to Accounting Research Bulletin No. 43, issued by the Committee on Accounting Procedure of the AICPA in 1953:

> "Since its organization the American Institute of Accountants, aware of divergences in accounting procedures and of an increasing interest by the public in financial reporting, has given consideration to problems raised by these divergences. Its studies led it, in 1932, to make certain recommendations to the New York Stock Exchange which were adopted by the Institute in 1934. Further consideration developed into a program of research and the publication of opinions, beginning in 1938, in a series of Accounting Research Bulletins."

There is no question that financial statements today are more useful to investors and other readers than they were, say, in the 1920's. For one thing, disclosure is far more complete. But, by and large, problems resulting from wide variations of accounting treatment in financial reports are still with us.

It was to deal with these problems that the Council of the Institute in 1959 created the Accounting Principles Board and—I repeat—the problems are still with us.

In the early years of the Institute's existence, and indeed throughout much of the lifetime of the Committee on Accounting Procedure, these accounting variations seemed to be of interest primarily to members of the accounting profession. More recently, however, people outside the profession have become increasingly aware that accounting is a strong social force, a force which should be more and more useful in identifying trends in business and the national economy. Yet there is evidence that an increasing number of those who use financial reports are finding them less useful than they should be.

In the past year or two, accounting practices and accounting principles have received a great deal of attention in the business and financial press. *Fortune*, *Barron's*, *Business Week*, *The Wall Street Journal*, *Harvard Business Review*, and other leading publications all have contained articles about financial reporting and accounting principles. Running through all of these articles is the idea—sometimes expressed, sometimes merely implied—that financial statements, as now prepared, do not fully satisfy the needs of investors and others.

These articles suggest that a large segment of the public, including a substantial part of the business world, has taken the words "generally accepted accounting principles" literally, and has assumed a greater degree of uniformity in accounting, as reflected in financial statements, than in fact exists.

Investment credit

Public concern over the lack of uniformity in accounting was dramatized last winter in the controversy about how to account for the investment credit. As you will recall, the Accounting Principles Board, by the required two-thirds vote, expressed the opinion that the investment credit should be taken into income over the life of the related assets. But some practitioners, including some members of the Board, and some other businessmen favored a different approach, called "the 48-52 method." Under this method, 48% of the investment credit, viewed as a tax windfall, is taken into income in the year assets are purchased, and only 52%, rather than the 100% recommended by the Board, is spread over the lives of the assets. Shortly after the Board issued its opinion, certain accounting firms let it be known, more or less publicly, that they would not insist that their clients follow the method the Board had approved. They contended that until one of the procedures became generally accepted to the exclusion of the other, auditors should not qualify their opinions on financial statements because of the use of either method. In support of their position, these firms pointed out, first, that the Charter which established the Accounting Principles Board provided that the authority of Board opinions will rest upon their general acceptability, and, second, that the opinion issued by the Board on the investment credit contained the same proviso.

The effect of the position taken by these firms was highlighted by an article which appeared in *The Wall Street Journal* on March 13 of this year. In this article, the *Journal* reported that one well-known company had "boosted" 1962 net income $2.2 million by "bunching 1962 tax-credit savings," while a well-known competitor had "adopted the spreading approach." As the article pointed out, both corporations are audited by the same firm of accountants. As the article did not point out, this auditing firm issued an unqualified opinion on the financial statements of both companies.

Let me emphasize at this point that we are dealing here with a fundamental difference in philosophy on the part of those accounting firms which have decided not to qualify their opinions when clients do not follow the Board's pronouncement on the investment credit. No one, I am sure, would suggest that the motives of these firms are not as high, or their independence not as jealously guarded, as those of other firms.

This said, let me also make it quite clear that I think those firms which are willing to accept alternative treatments of the investment credit are dead wrong in their philosophy. To be sure, a strong argument can be made to support the viewpoint that 48% of the credit is, in substance, a tax windfall which should be taken into income when the credit arises. But if you accept *this view,* how can you also say that it is acceptable to spread the investment credit over the productive lives of the related assets? You just can't have it both ways.

As an accounting problem, the investment credit was not of fundamental importance. The real significance of the debate was that it focused broad attention on such basic questions as: What is meant by the term "generally accepted accounting principles?" What is, and what should be, the authority of the Accounting Principles Board? How will the Board ever narrow areas of difference in accounting so long as an important segment of the accounting profession can regard the Board's opinions as having only limited validity until and unless they are "generally accepted."

Dissatisfaction with accounting principles

Accountants are not the only ones who are raising these questions. Evidence of increased pressure for more uniformity in financial statements is plentiful. Last February, for instance, Jack M. Whitney II, a member of the Securities and Exchange Commission, in addressing a group of investment analysts, expressed his concern about accounting principles in these terms:

" . . . A reliance upon 'generally accepted accounting principles,' as developed by the accounting profession, has left a great deal of room for variation in the accounting practices and principles observed by companies, whether or not they are subject to the requirements of the Commission. The unanswered question presented by this history, . . . is whether [this] . . . has been and continues to be in the public interest and in the interest of investors. Do the disclosures of accounting principles followed, as contained in the prospectus, really make it possible for an analyst to make a side by side comparison of two competing companies' earnings statements? I doubt it. I do not suggest that unvarying application of uniform accounting principles is a desirable end in itself. I don't like strait jackets. However, we may not have gone as far in that direction as we should."

Is there reason to believe that if the accounting profession, or some other business group, does not provide an adequate statement of accounting principles, the SEC will do so? I think there is. So does Professor Robert N. Anthony of the Harvard Business School. Writing in the current issue of *Harvard Business Review,* he says:

"The fact remains, however, that the SEC is responsible for safeguarding the public interest. It cannot tolerate indefinitely a situation in which the accounting reports submitted to it have less meaning than they should have because they are not constructed on a solid foundation of generally accepted accounting principles. The SEC has looked to the AICPA to fill this need; but if it concludes that the AICPA is not going to do so, then it presumably must take action on its own. Under these circumstances, for the SEC to refuse to act would be to abrogate its statutory responsibility to the public."

Professor Anthony leaves no doubt that he would consider such action by the SEC unfortunate. In his words:

"As already stated, I do not like the idea of government action. The consequences of SEC take-over could be quite unpleasant. My greatest worries are that:

(1) The SEC will go beyond the stage of principles and prescribe detailed rules.

(2) Once it has set such rules, it will freeze them and thus stultify progress.

(3) Having started with prescribing principles, the SEC will next move to enforce its principles by taking over the auditing function now performed by the accounting profession."

Comments like those of Commissioner Whitney and Professor Anthony comes as no surprise to those of us who remember how narrow was the margin by which the SEC decided—some 25 years ago—to give the accounting profession the opportunity to develop accounting principles, instead of taking on the task itself. In my view, the position of the accounting profession today is more vulnerable than many realize.

The crux of the problem

To understand the basis for the increasingly widespread dissatisfaction with the present situation, let us consider just what problems are created when independent public accountants report that financial statements are presented in conformity with "generally accepted accounting princples."

First, as to the accountants themselves—indeed, I should say "ourselves." Under present conditions, we stake our professional reputations on what is at best a highly elusive concept when we sign our names to opinions in which we have used the expression "generally accepted accounting principles."

And the situation is equally unsatisfactory for those who issue financial statements. As much as they may wish to ground their financial reports on sound concepts, they often are influenced by the practices of other companies which make less desirable accounting choices, and thereby give to those choices the status of "general acceptability."

For investors, and for other users of financial statements, the situation is equally unsatisfactory. If they are sophisticated, and recognize the ambiguity, they are at best uncertain as to how to use financial statements in weighing the relative merits of companies as investments or, perhaps, as credit risks. But if they are unsophisticated, they may simply be misled into believing that financial statements, and the related opinions of auditors, mean more than they do.

This, then, is the crux of our problem: that when we independent public accountants report that financial statements are presented in conformity with "generally accepted accounting principles," we cannot be sure what we mean, because the expression "generally accepted accounting principles" has never been satisfactorily defined. For the same reason, those who issue the financial statements on which we report, and those who use them, do not know what we mean, either.

The Accounting Board

Recognizing the need to improve the understanding of what constitutes generally accepted accounting principles, the Council of the AICPA in 1959, after considering the report of the Special Committee on Research Program, established the Board and designated it as the sole group within the Institute having authority to define accounting principles. How the Board should proceed in exercising this authority is a matter on which the members of the Board disagree. Some, as I understand their position, regard the Board merely as an advisory group, reviewing existing alternative practices, perhaps expressing in its opinions a preference for one or more, but shying away from any sort of a commanding position in relation to accounting principles. These Board members seriously question whether uniformity in accounting and comparability in financial reporting are desirable objectives. They feel that *complete* uniformity in accounting treatments and *strict* comparability of financial statements cannot be accomplished. Hence, they do not believe that the accounting profession, acting through the Accounting Principles Board, should move vigorously *toward* uniformity and comparability. They base their position in large part on the view that the responsibility of the directors of a corporation to account to stockholders through the medium of financial statements carries with it the authority to select the accounting methods to be fellowed by the corporation.

I hold this assessment of the responsibility and authority of a corporate board of directors to be contradictory, if the authority to select accounting methods is considered to be without limitation. Defining the limits—providing the criteria for determining the accounting methods to be used—is, in my view, the proper function of independent public accountants.

The Role of the Board

What, then, is the role of the Board? I am confident that if we were to ask Institute members across the country what they believe the long-term mission of the Board should be they would tell us that it is *to determine sound principles of accounting*. With this appraisal I would agree, for I am convinced that in accepting a lesser role the Board would relegate itself to the position of a validator of the status quo.

Such a role for the Board was clearly not the intent of the profession, as expressed in the 1958 report of the Special Committee on Research Program, which stated the purpose of the Institute as follows:

"The general purpose of the Institute in the field of financial accounting should be to advance the written expression of what constitutes generally accepted accounting principles, for the guidance of its members and of others. This means something more than a survey of existing practice. It means continuing effort to *determine appropriate practice* and to narrow the areas of difference and inconsistency in practice . . . " (Emphasis supplied.)

Change the words?

If the role of the Board is to establish which accounting principles are sound, should the expression "generally accepted accounting principles" be replaced by "sound accounting principles"? I think not. Despite existing uncertainty as to the precise meaning of the former expression, it is so widely used that I think it would be unwise to replace it with the latter. And even if it were changed, the existing ambiguity would continue. Where we now wonder, "Generally accepted by whom?" we would then wonder, "Sound in whose view?"

A proposal

This leads to my principal proposal for resolving the existing dilemma. I believe we should think about our problem at two levels. First we must clarify the term "generally accepted accounting principles;" then we must identify the accounting principles which we believe are sound.

To achieve the first objective—clarifying the expression "generally accepted accounting principles"—I propose that two fundamental specifications of the reporting responsibilities of members of the AICPA be revised. One of these, the first standard of reporting in the generally accepted auditing standards (as defined in the 1954 Special Report by the AICPA Committee on Auditing Procedure), provides that the report of the independent auditor:

> ". . . shall state whether the financial statements are presented in accordance with generally accepted principles of accounting."

The other, Rule 2.02 (e) of the Institute's Code of Professional Ethics, provides that a member or associate may be held guilty of an act discreditable to the profession if:

> "he fails to direct attention to any material departure from generally accepted accounting principles . . . ."

I would like to see these two specifications revised to provide that the obligation to report departures from generally accepted accounting principles is to be interpreted as including disclosure of any material variance between the accounting principles, practices or methods followed and those principles, practices or methods which the Accounting Principles Board shall have approved. Initially, the principles, practices and methods approved by the Board would be found primarily in the Accounting Research Bulletins, which the Board has continued in effect. However, as the Board issues new opinions on various matters, the existing uncertainty as to the meaning of the expression "generally accepted accounting principles" would disappear.

Identifying sound accounting principles

The procedure I have suggested should thus open the way for the Board to operate at the second level which I suggested earlier—identifying sound principles. The suggested procedure should, I believe, go a long way toward overcoming the objections of those members of the Board who believe that the Board, in expressing firmly its conclusions on the soundness of accounting principles, practices or methods under consideration, may intrude upon the prerogatives of corporate boards of directors. In point of fact, the revisions I am suggesting apply only to the reporting requirements of CPAs, and would not detract in any way from directors' existing authority.

Uniformity and comparability

What about the broad objectives of uniformity in accounting treatments and comparability of financial statements? Although companies would not, under my proposal, be required to adopt the principles approved by the Board, I think that in time they would come to do so voluntarily. I believe that businessmen look to the accounting profession for leadership in matters of accounting principles. If we offer them guidance, I think they will accept it. To be sure, the road will be long, but not nearly as long as it will be if the Board fails to recognize its obligation to provide leadership on behalf of the accounting profession.

Objections

I do not expect that this proposal which I have outlined will be met with unanimous approval—either among Board members or among the general membership of the AICPA.

Some are sure to point out that the Special Committee on Research Program considered such an approach but did not adopt it. Circumstances have changed since 1958, however. The experience we have gained since then—especially in the past few months—points to a different conclusion.

Some will say that it is unreasonable to expect that the Board can agree on what represents appropriate practice in controversial areas of accounting. I think that the Board *can* agree on appropriate practice, *once we establish that this is really the Board's function.* Some will object that even if the Board is able to agree on appropriate practice, it is unreasonable to expect that the Board's recommendations will immediately achieve general acceptance. In my view, immediate acceptance is not necessary. Some will predict that the approach I have recommended will result in dissatisfaction on the part of Institute members and on the part of their clients. I think it is safe to assume that *some* CPAs and *some* businessmen will be displeased if it becomes necessary for auditors to comment adversely on accounting practices that have been common in the past. I am sure, however, that *many* CPAs and *many* businessmen will applaud an action which tends to minimize the present uncertainty about the expression "generally accepted accounting principles." I am convinced that if the need for the action I am proposing is properly explained, much of the anticipated resistance will disappear.

Other considerations

Board membership—Now let me raise several questions and perhaps make a few more suggestions. First, is the membership of the Board adequately representative? Since the Board is a creature of the Institute, and speaks for Institute members, I think that the Board should be composed, as it now is, of members of the Institute. But within that framework I believe we should make the Board as representative as possible.

The present members bring to the Board the viewpoints of practicing CPAs, CPAs who are teachers of accounting and CPAs who are business executives. Perhaps we need other viewpoints. Financial analysts, for example, are frequently critical of business reports; would it not be advisable to have a CPA from that group on the Board?

As a minimum, it seems to me essential that there be continuing contacts with the SEC. Perhaps this could be brought about by asking the SEC to appoint a representative who would attend Board meetings as an observer, with the privilege of the floor. Alternatively, an Institute Committee might undertake to keep the SEC staff currently informed on Board developments.

When CPAs disagree

Should an Institute member be permitted to disagree, in his report, with a position taken by the Board? I believe he should. I would expect, however, that the number of times this would occur would be limited, especially if Board opinions are approved by Council.

Action by Council—Should opinions of the Board be submitted to the Institute's Council? I think the advantages of doing this outweigh the disadvantages.

I see these advantages: (a) submission to Council would permit wider exposure and would give APB members an opportunity to defend their position to Institute representatives from across the country, (b) if approval of Council were obtained, members would be less likely to express disagreement in their reports, and (c) Council approval should overcome the objection, which might be heard, that the Board, composed as it is of only twenty-one CPAs, does not adequately represent the membership of the Institute.

There are probably two main disadvantages: (a) there might not be time for adequate discussion at Council meetings, in which event Council might tend to become simply a "rubber stamp", or might disapprove a Board opinion simply for want of time to explore it adequately; and (b) some men of high calibre might not wish to serve on the Board if its opinions were subject to veto.

If these practical problems can be overcome, I think Council should approve Board recommendations. Changes in the Institute's rules of professional conduct require Council approval. Are not changes in accounting principles at least as important?

Conclusion

To be sure, the proposals I have made should be carefully weighed. The charter of the Accounting Principles Board presumably would require revision. There are bound to be differences and disagreements along the way.

But I see no satisfactory alternative to the route I have proposed. If the accounting profession is unwilling to recognize in this way the authority of the Accounting Principles Board, I think the Board might just as well close up shop. Without some action such as this, I fail to see how the Board will be able to fulfill its mission of narrowing the areas of accounting difference.

I am hopeful that the Board will soon submit to the Council of the Institute a proposal embodying the essence of my suggestions. This proposal, if made by the Board, should be widely discussed on platforms such as this, so that the necessity for the change can be made clear, and so that the members of the Institute will be in a position to give support to the proposal, through their elected representatives on the Council.

I have no doubt that the future of the accounting profession will be a bright one. I am just as confident that the Accounting Principles Board can and will play an important part in that bright future.

ARE WE EXPECTED TO ELIMINATE ALL ALTERNATIVES?

HASSEL TIPPIT, C.P.A.
Managing Partner, Ernst & Ernst,
Cleveland, Ohio

Mr. Chairman, Mr. Higgins, and fellow accountants in the audience, it is a pleasure to be with you here today and I want to express my appreciation for the invitation to appear on this program with my good friend and fellow practitioner, Tom Higgins. I knew Tom quite well before we both were appointed to the Accounting Principles Board. Since then we have spent a considerable—perhaps unbelievable is a better word—amount of effort on behalf of the Principles Board.

Looking back over the span of time since the Principles Board was formed, one might become discouraged over its progress. You will recall one of the first projects undertaken was the defining of accounting principles and postulates. On the surface this seemed a relatively simple task, since for many years certified public accountants had been saying in their reports "in accordance with generally accepted accounting principles." Yet when it was decided to codify and define these principles, it was found to be an exceedingly difficult task. As a matter of fact, we are still a long way from agreement.

Interestingly enough, since the early Thirties, our firm has had its own written statements of accepted or acceptable accounting principles in the form of guides for internal use but we have not deemed it wise or desirable to publicize them. Our guides have always provided for alternatives and flexibility where considered appropriate. I believe that, through the use of these guides and with the application of professional judgment, our people have been able to come up with proper solutions to our technical problems.

You are undoubtedly all familiar with the problem that we have encountered in the Board with regard to the accounting for the investment credit. This difficulty brought into focus one of the biggest differences in basic concepts facing the accounting profession today: The question is whether or not there should be allowed any alternatives in accounting, and this brings me directly to the subject of my discussion which I have called "Are We to Eliminate All Alternatives in Accounting?"

I have the feeling that many people in our profession are groping for a panacea which would give them an immediate answer to any accounting problem. We have some in the profession who feel that alternative treatments should be eliminated on the theory that the gap in determining net income should be narrowed. Some people even go so far as to say that alternatives should be eliminated not because they are improper but because they contribute to undesirable flexibility.

It is extremely bothersome to me that many people in our profession are striving for such a rigidity of treatment which, if accepted, would eliminate all the professional judgment we feel are necessary in today's financial reporting. After many years of working with all types of companies and all kinds of people, I am convinced that one inflexible set of rules could not deal adequately with the various business philosophies that are encountered in the complex financial world of today.

Because each client is an individual case, I cannot accept the premise that we as accountants should eliminate acceptable alternatives merely to attain the goal of rigid uniformity within our own profession. The responsibility for the preparation of financial statements rests with the client's management. If there are any alternative accounting treatments, management should have the right to select the one which best serves their company.

It seems to me that it would be a tragic error for us to regiment accounting so that the answer to any question could be resolved quickly merely by turning to a given page in a book of rules and postulates.

Isn't a profession by its very nature dependent upon the sound and reasoned judgments of its members rather than upon a restrictive codification of do's and don'ts? By making more rules and regulations, are we increasing or decreasing our professional status?

As you so well know, under present-day accounting there are numerous alternative treatments which are considered to be acceptable. Without attempting to enumerate all of them, some of the more common ones are those dealing with: the basics of pricing inventories, including the computation of amounts of overhead to be capitalized; the method of determining depreciation; the handling of trademarks, goodwill and research and development expenses; the methods of reporting income under long-term contracts; and the principles relating to consolidating subsidiaries. There are also alternatives where pensions and leases are involved.

I will not take the time to comment on differences in each area, but I would like to make a few observations based on my own experience.

First of all it seems to me to be ridiculous for the profession to say that, after all these years, we will now determine the one way to handle each of these items and insist on full compliance, with all the alternatives bundled up into a package and tossed out the window.

In many of the areas, any alternative selected—if consistently followed—will produce the same result in the aggregate over a period of years. This, to me, is the big reason for including the reference to consistency in our present form of certificate. If all the alternatives are eliminated, I assume there will be no need for the word "consistency" in our certifications.

With regard to inventories, it would be foolish for us to establish rules that would deny a company the right to use LIFO where substantial tax savings are involved—as everyone knows you cannot pay dividends out of inflated inventory values. With the LIFO principle so well established in business, I think it would be as foolish for us to prohibit its use as it would be for us to prohibit the use of FIFO or any other acceptable basis.

The matter of determining the acceptable minimum and maximum amounts of overhead to be included in inventory seems to be increasing in importance. Here again consistency is of outstanding significance. I would not favor any position that would require every company to follow the same methods for determining depreciation provisions. Conditions and circumstances vary greatly from company to company and I think the methods presently allowable and in use are on the whole satisfactory except for the fact that they do not recognize the factor of inflation. Inflation has, perhaps, become less important in recent years but I still would like to see some way for it to be recognized in the accounts of both financial accounting and income tax purposes.

With regard to good will, I would like to see us adopt a policy that would permit the charge off to earned surplus of amounts for good will that cannot be allocated to specific assets at the time of acquisition or any subsequent time.

I assume all of you have seen the exposure draft of the Research Study on Accounting for Leases. This is undergoing further study by a committee of the Accounting Principles Board and I have an open mind about its adoption as modified by the Committee. I would like to say, however, that in the minds of some of us certain of the suggestions contained in the Research Study are not acceptable and that—at the very least—alternatives are called for in some of the critical areas. It is my personal view that greater recognition must be given to the legalities involved in each situation and that in general the legal considerations will resolve the accounting problems. I feel that we do not need to go much beyond the present requirements of Chapter 14 of A.R.B 43; although it may be that the requirement for disclosure of pertinent information regarding lease arrangements in effect at the balance sheet date should be strengthened. Certainly the requirement that a lease arrangement which in effect is an installment purchase should be treated as a purchase is sound and is substantially all we need if that position is clarified and followed.

I am Chairman of the Advisory Committee of the Board to counsel with the Director of Research of the Institute and Director of the Research Study on Business Combinations. Disclosure cannot be made of what the Committee's conclusions will be; but it is appropriate for me to say that there are important differences between the conclusions reached by the Director of the Study (Professor Wyatt) and those of the Director of Research (Dr. Moonitz) and the members of our project advisory committee.

The main points of difference involved here relate to the distinction between a purchase and a pooling of interest and the proper accounting for or disposition of any amount for intangibles that may arise from a purchase.

Whether any alternatives will be included will depend on the outcome of our further considerations.

As you know, the criteria previously set up for determining whether a transaction is a purchase or a pooling have broken down completely. There is real need for clarification and I think we have an opportunity to do a real service to the profession in this situation.

Personally, I am inclined toward the pooling of interest concept and I also lean toward permitting immediate charge off of intangibles arising from purchases to the extent amounts cannot be assigned to specific assets.

In this case we may be able to reconcile views so that no alternatives are necessary.

Accounting for pensions is another study that has been undertaken by the Accounting Principles Board and Mr. Higgins is Chairman of that Project Advisory Committee. I am not familiar with the status of the study but the following are among the questions posed:

Should a company be *required* to provide liability or reserve in an amount necessary to cover the full past service of the eligible employees?

Should it be *required* to provide only for the legal liability existing at the balance sheet date?

Should the annual provision be uniform according to actuarial determinations or should varying provisions be permitted without exception to consistency, and

What disclosures are to be required in the financial statements?

There are, of course, many other problems involved here and I have considerable doubt that we can avoid having some alternatives when this study is finished.

There also is underway a research study relating to allocation of and accounting for federal income taxes, and it perhaps would be premature for me to comment on it at this time. But I would like to say that I think we have gone much too far in setting up so-called tax effect reserves and if present or more strict practices are to be followed, the accounts of many companies will become hopelessly entangled. There are many cases where such reserves are appropriate, as for example, in the situation set forth in the Interpretive Opinion on Guide Line Depreciation. Whatever the final decision may be, I hope it will not require reconcilement of the book income with taxable income. I would deal only with major differences but even all major differences would not necessarily require tax-effect accounting.

A somewhat different type of problem is encountered in connection with financial statements of banks, insurance companies, and other institutions.

There has been much discussion in recent years about the need to adjust the financial statements of these institutions to conform to the accountant's view of what is called "generally accepted accounting principles," even though we have no definition of such principles.

I do not disagree with our objectives in this regard but I do strongly disagree with the approach we are taking in our efforts to attain the objectives. I think one of the real weaknesses in our approach to many of our problems is our failure to work with and obtain the cooperation of interested outside groups.

Over the years these institutions have established practices and policies that in their view are fair and acceptable. They are not about to make any drastic changes merely because some accountant tells them that the book says it has to be done a different way.

The accounting profession has been a great service to the insurance and banking groups. I would not like to see the door closed to the expansion of our services through some arbitrary position taken by the profession.

I favor a realistic approach with these groups and others similarly situated so that we can iron out any differences through cooperative efforts.

To make the financial statements more meaningful to the stockholders, I suggest that full disclosure be made regarding the accounting treatments followed and their effects on the financial statements, particularly in the controversial areas where the amounts involved are significant.

Many of the complaints about present day financial statements have to do with the lack of comparability in the statements from one company to another.

We all agree, for example, that the basis for stating the inventories should be disclosed. If this concept were extended and more and better information given about the accounting treatments used and their impact on the financial statements, I believe that many of these complaints would be eliminated. We also should keep in mind that in many cases differences in business conditions and practices lead to differences in accounting treatments and where other important considerations are involved, they cannot be ignored.

Before closing, I would like to mention one area that bothers me more than any that have been brought under the study of the Principles Board. It is the inconsistency of accounting for special items which occur during the year. This problem was very clearly demonstrated early in 1963 when two of the 25 largest companies in the country released their financial results for the year 1962. Both companies had sold comparable holdings of stock in a third company and each had realized a substantial profit. Yet in reporting earnings for the year, one company picked up the profit in earnings and the other company credited the profit on the sale to earned surplus. A review of annual reports will quickly show that there is a complete lack of consistency with regard to special items. This is one area that needs clarification and a study should be made to sharpen up the ground rules for surplus transactions. At first thought, you might believe that my position on this is inconsistent with my view toward alternatives in other areas, but I don't think this is true. Keep in mind that items reflected through earned surplus escape the profit and loss statement forever. In the other cases where I have advocated alternatives the items would flow through the profit and loss statement over a period of years, as long as consistency is maintained.

In reflecting over my forty-four years in public accounting, I am impressed with the great progress and improvements which have been made in the form and content of financial statements. This progress and improvements did not occur overnight, but were brought about by evolution rather than revolution. I suspect that this same evolution will continue in the future.

I will say too that there is much more good than bad in our present-day financial reporting and I would like to emphasize the good while doing everything possible to correct the bad. I would like to see a more cooperative spirit in our attempts to strengthen the weak spots. We must realize too, that where important changes are called for sufficient time must be allowed for adjustments necessary to comply.

I would also point out that if we should reach what I think is the unattainable and I think undesirable position of absolute uniformity in the handling of every transaction, we, along with the analysts, will have worked our way out of business, because at that point there will be need only for the necessary staff to feed the machines and let the machines give the opinions.

Our profession has made tremendous strides and has earned the confidence of business. However, I feel that recently we have been more on the negative side than on the positive side in our deliberations as to what is good for business. It seems to me that in dwelling overlong on the niceties and refinements of accounting rules, we are in danger of overlooking one of the major challenges to our profession—that of being as helpful as we can to our clients.

Again I say it is a pleasure to be here with you and I appreciate the fine attention I have received.

SIXTH SESSION

FRIDAY, MAY 17, 12:00 P.M.
Ohio Union—West Ballroom

Presiding:

PAUL E. FERTIG, PH.D., *Chairman, Department of Accounting, The Ohio State University, Columbus*

Presentation of Hermann C. Miller Memorial Scholarship

L. FREDERICK CLARK, C.P.A., *President, The Ohio Society of Certified Public Accountants making the presentation to:* ROBERT WEST, *Ohio State University*

Address: "Economic Growth in the Midwest"

ROBERT C. TURNER, PH.D., *Professor of Business Economics, Graduate School of Business, Indiana University, Bloomington, Indiana*

ECONOMIC GROWTH IN THE MIDWEST

Robert C. Turner, Ph.D.
Professor of Business Economics
Graduate School of Business
Indiana University
Bloomington, Indiana

Although economic growth in the Midwest has continued at a fairly impressive pace in recent years, we have, on the whole, been losing out relative to the rest of the Nation. This is evidenced by the decline in the share of the Nation's income received by persons in the Midwest states. Ohio, for example, received over six per cent of the Nation's personal income from 1953 to 1957. Since then, however, the percentage has dropped to 5.5 per cent in 1962. Indiana has dropped from 2.8 to 2.5 per cent, Michigan from 5.1 to 4.4 per cent, Illinois from 7.5 per cent in 1948 to 6.6 per cent last year. Wisconsin has come the nearest to holding even, their percentage of the Nation's personal income dropping from 2.3 per cent in 1951 to 2.1 per cent last year.

A similar trend is indicated by per capita personal income in these states, expressed as percentages of U.S. per capita personal income. In the early 1950's, Ohio's per capita income was some 13 per cent above the national average; today it is only about one per cent above the U.S. as a whole. Indiana 10 years ago was 7 per cent ahead of the Nation; in 1962 Indiana was slightly below the national average. Michigan has dropped from 18 per cent above the national average 10 years ago to 2 per cent above last year. Illinois and Wisconsin have lost the least ground, Illinois' per capita income as a percentage of the U.S. figure dropping from 127 per cent in 1948 to 120 last year, and Wisconsin from 103 per cent in 1951 to 97 per cent in 1962.

It should be emphasized that what is occurring in this area is a relative, not an absolute, decline. The Midwest is continuing to grow, but other areas are growing faster.

There is no single, simple explanation for this phenomena. One important cause is the well advertised slowdown in the rate of national economic growth, coupled with the fact that the Midwest specializes in the production of hard goods, both capital equipment and consumer durables. Expenditures for hard goods of this character are especially sensitive to growth rates in the economy as a whole. Moreover, it is in the hard goods producing industries in which automation has made its greatest strides.

A second explanation can be found in the change in the character of the national defense program. Procurement by the Department of Defense has shifted radically from tanks, other vehicles, weapons and ammunition, and commercial types of equipment and hardware, to missiles and electronics. All five of the Midwest states have slipped badly in the percentage of defense contracts awarded in these states. The big gainers have been California, Texas, Colorado, Florida, and Massachusetts.

A third explanation is probably the fact that, thanks to several technological developments, the southeast and southwest have been able, belatedly but vigorously, to surge ahead economically. These technological developments include improvements in fast air transportation and communication, increases in water supplies, and air conditioning. In some instances, lower wage rates in these areas have also provided a temporary stimulus to economic growth.

There are some who argue that what we are witnessing in the Midwest is the normal life cycle process as applied to industry. Each industry and each area, they say, goes through successive phases of infancy, youth, maturity, old age, and death. According to this theory, the major industries in the midwest region have reached the maturity stage and may even be approaching old age.

There may be something to this theory. The trouble with it, however, is that it generalizes too much. Each state in our area is a highly diverse one, including subareas that are "old," and others that, by any definition, can be classified as "new." New, growth industries may closely resemble old, mature industries, and need the same skills and managerial know-how. Established firms can often expand into new lines, and indeed may be in a competitively advantageous position to do so by virtue of their experienced management and financial resources. Further, a region may grow by gathering in a greater proportion of the mature, slower-growth industries. Also, it should be noted that the local multiplier effect—the effect of growth in a particular industry on *total* economic growth in an area—varies greatly from one industry to another. Some industries, particularly labor intensive ones, give rise to a host of derivative service industries. Others do not. Some give rise to extensive satellite industries—suppliers of components, technical services, and the like. Others do not. Sometimes the satellite industries need to be nearby; in other circumstances they can be far removed. The effect on total economic growth in the region, therefore, depends not simply on the presence of young versus old industries, but also on the type of industry within each category.

There are some who argue that what we are witnessing in the the rest of the country, but the ones I have mentioned, I think, are the principal determinants of the recent deterioration in our relative position. Although our problem is not a crisis problem, it is one with which business leaders in the midwest should be deeply concerned.

CONFERENCE ROSTER

Abs, George E., Cassel, Groneweg, Rohlfing & Clark, Dayton
Adams, R. D., Haskins & Sells, Columbus
Albers, Luke J., Cassel, Groneweg, Rohlfing & Clark, Dayton
Albers, Wayne J., Ernst & Ernst, Cleveland
Alfred, Charles E., Charles E. Merrill Books, Inc., Columbus
Allen, Katherine (Mrs.) (Secy.), College of Comm. and Adm., OSU, Columbus
Amos, Robert, Haskins & Sells, Cleveland
Anderton, Billie (Secy.), Dept. of Accounting, OSU, Columbus
Archibald, Robert E., Mason, Lombardi & Archibold, Columbus
Armstrong, Gerald S., Welsh and Leffingwell, Cleveland
Armstrong, Marshall S., George S. Olive & Co., Indianapolis, Indiana
Arnold, Frank L., Arnold, Hawk & Cuthbertson, Dayton
Ashby, D. W., Jr., Haskins & Sells, Columbus
Ashmun, David S., Battelle & Battelle, Dayton
Atkins, Robert, A. B. Chance Co., Parkersburg, West Virginia

Bacon, Donald W., Internal Revenue Service, Washington, D.C.
Baker, Richard T., Ernst & Ernst, Cleveland
Bangham, Robert R., The Ohio Society of CPAs, Columbus
Barston, C. Byron, (self), Dayton
Battelle, Gordon S., Battelle & Battelle, Dayton
Bauhof, A., Ernst & Ernst, Cleveland
Beach, Howard J., Gattner, Price & Highfield, Columbus
Beamer, Elmer G., Haskins & Sells, Cleveland
Beard, Lowell D., Cassel, Groneweg, Rohlfing & Clark, Dayton
Beck, Clifford, (self), Norwalk
Beck, Thomas F., Battelle & Battelle, Dayton
Becker, Jack, CPA Review Course, Cleveland
Becker, Newton, CPA Review Course, Cleveland
Beckert, Ralph F., Ohio University, Athens
Bell, Jack L., Haskins & Sells, Cleveland
Bender, William J., (self), Fairview Park
Birkhold, Shelly C., Cassel, Groneweg, Rohlfing & Clark, Dayton
Bitler, George E., OSU, Columbus
Bock, T. K., Haskins & Sells, Columbus
Boggs, Eva (Adm. Asst.), Dept. of Accounting, OSU, Columbus
Boggs, Robert E., Miami University, Oxford
Bolon, Dallas S., (Emeritus Prof.), Dept. of Accounting, OSU, Columbus
Bomeli, Edwin C., Bowling Green State University, Bowling Green
Bontempo, G. Theodore, Lybrand, Ross Bros. & Montgomery, Columbus
Boothe, Viva, (Miss) (Director) Bureau of Business Research, OSU, Columbus
Borden, Nolan R., Lybrand, Ross Bros. & Montgomery, Columbus
Bosse, Arthur H., U.S. Steel Corp., Pittsburgh, Pennsylvania
Bowen, A. Grant, Haskins & Sells, Cleveland
Bowers, Edison L. (Prof. & Chm.), Dept. of Economics, OSU, Columbus

Bowers, Quentin E., Columbus Transit Company, Columbus
Bowman, Donald, Union Fork & Hoe Co., Columbus
Braden, Andrew, Western Reserve University, Cleveland
Bradley, Roy, Wesleyan University Press, Columbus
Brandt, Harold, Republic Steel Corporation, Cleveland
Brigode, T. Dale, Konopak & Dalton, Toledo
Brodhead, Robert E., Haskins & Sells, Cleveland
Brush, Lauren F., (Assoc. Prof.), Dept. of Accounting, OSU, Columbus
Brush, Lauren (Mrs.), Columbus
Buccalo, James N., Lybrand, Ross Bros. & Montgomery, Columbus
Buck, John, Cassel, Groneweg, Rohlfing & Clark, Dayton
Buckingham, Harry W., Cheek & Company, Findlay
Buenzow, L. W., Touche, Ross, Bailey & Smart, Dayton
Burnham, Walter C., (Assoc. Prof.), Dept. of Accounting, OSU, Columbus
Button, Norman A., William Hehemann & Co., Cincinnati

Campbell, Richard, Haskins & Sells, Cleveland
Chapman, Paul D., Wesleyan University Press, Inc., Columbus
Cheek, Carroll W., Cheek & Co., Bowling Green
Chrisman, G. Burgan, Chrisman & Edwards, Dayton
Christensen, Oreson H., Haskins & Sells, Cincinnati
Clark, L. Frederick, Cassel, Groneweg, Rohlfing & Clark, Dayton
Clark, Willard C., Jr., Miami University, Oxford
Cohen, Seymour I., North American Aviation, Inc., Columbus
Cook, James C., Ernst & Ernst, Columbus
Cotabish, J. R., General Electric Co., Cincinnati
Counts, Robert L., Hobart Manufacturing Co., Troy
Cox, Carson, Alexander Grant & Company, Chicago
Cox, Fred J., Lybrand, Ross Bros. & Montgomery, Cincinnati
Cunningham, Keith A., Touche, Ross, Bailey & Smart, Dayton
Curl, John W., Lybrand, Ross Bros. & Montgomery, Columbus
Cutlip, Thomas W., Gattner, Price & Highfield, Columbus
Dauterman, F. E., Jr., Haskins & Sells, Columbus
Dawson, Dan B., Cryovac, Inc., Columbus
Day, Lewis I., The Buckeye Steel Castings Co., Columbus
Deibel, Stephen, Ernst & Ernst, Columbus
Denney, Richard L., Lybrand, Ross Bros. & Montgomery, Columbus
Dennis, Kenneth R., Arthur Andersen & Co., Cincinnati
De Stazio, James A., Charles E. Merrill Books, Inc., Columbus
Dickerson, William E., (Prof.) Dept. of Accounting, OSU, Columbus
Dickerson, William E., (Mrs.) Columbus
Dickey, Robert I., University of Illinois, Urbana, Illinois
Dickerson, Ralph D., Lybrand, Ross Bros. & Montgomery, Columbus
Dittrich, Norman E., (Grad. Instr.) Dept. of Accounting, OSU, Columbus
Donaghy, Fred J., The Duriron Company, Inc., Dayton
Dowling, Carl W., The Pure Oil Company, Palatine, Illinois
Drexel, William A., Orr, Brown & Price Co., Columbus

Driscell, Robert E., Wesleyan University Press Inc., Columbus
Driscoll, Phillip T., Ernst & Ernst, Columbus
Dunham, Lawrence S., Arthur Young & Company, Chicago, Illinois
Dye, David C., Lybrand, Ross Bros. & Montgomery, Columbus

Eckelberry, George W., (Prof.), Dept. of Accounting, OSU, Columbus
Eckelberry, George W., (Mrs.) Columbus
Edwards, Harry, Chrisman & Edwards, Dayton
Eistetter, George J., Konopak & Dalton, Toledo
Elminger, J. E., Haskins & Sells, Columbus
Elshoff, Kenneth, Ernst & Ernst, Columbus
English, Donald E., The Ohio Fuel Gas Co., Columbus
Erb, Emerson, (Prof.), Bowling Green State University, Bowling Green
Essman, Robert A., Lybrand, Ross Bros., & Montgomery, Columbus

Fast, Robert J., Fast & Gons, Fostoria
Felton, Ralph A., Anchor Hocking Glass Co., Lancaster
Fertig, Paul E., (Prof & Chm.), Dept. of Accounting, OSU, Columbus
Fertig, Paul E., (Mrs.), Columbus
Flegm, E. H., Haskins & Sells, Columbus
Fogarty, William T., Price Waterhouse & Co., Columbus
Ford, Ruth C., Lybrand, Ross Bros. & Montgomery, Columbus
Francis, Jean, (Asst. Dir., Comm. Placement), OSU, Columbus
Frank, Werner, (Prof.), Bowling Green State University, Bowling Green
Fronk, Daniel A., Lybrand, Ross Bros. & Montgomery, Columbus
Fullen, John B., (Alumni Secretary), Ohio State University, Columbus
Fuller, Robert C., Price Waterhouse & Co., Columbus
Fullerton, Robert C., Lybrand, Ross Bros. & Montgomery, Cleveland
Furry, Richard L., Ernst & Ernst, Cleveland

Gaddis, Jack L., Cassel, Groneweg, Rohlfing & Clark, Dayton
Garrett, Alfred B., Vice Pres., Research, OSU, Columbus
Gattner, Clarence C., Gattner, Price & Highfield, Columbus
Gillespie, William H., Jr., Hasty Tasty Restaurants, Dayton
Gilliland, Donivan, Ernst & Ernst, Columbus
Glander, C. Emory, Wright, Harlor, Morris, Arnold & Glander, Columbus
Gogle, John M., Battelle & Battelle, Dayton
Goodrich, Charles E., Union Fork & Hoe Company, Columbus
Goodwin, Richard H., The Buckeye Steel Castings Co., Columbus
Gordon, Agnes M., (Instr.), Dept. of Accounting, OSU, Columbus
Govig, Bill B., Arthur Young & Co., Cincinnati
Grathwohl, Joseph A., Arthur Young & Co., Cincinnati
Gray, Jack C., (Instr.), Dept. of Accounting, OSU, Columbus
Green, A. G., Columbus and Southern Ohio Electric Co., Columbus
Greenfield, Edward T., (self), Columbus
Grimstad, Clayton, (Assoc. Prof.), Dept. of Accounting, OSU, Columbus
Groves, Ray J., Ernst & Ernst, Cleveland
Gwilym, James B., Arthur Young & Co., Cleveland

Haas, David, Ernst & Ernst, Columbus
Hadler, Robert E., Arnold, Hawk & Cuthbertson, Dayton
Hanak, Robert L., Lybrand, Ross Bros. & Montgomery, Cleveland
Harbrecht, Robert, Battelle Memorial Institute, Columbus
Harris, Ralph E., Lybrand, Ross Bros. & Montgomery, Columbus
Harrison, Robert D., The Mennel Milling Company, Fostoria
Hartley, T. Y., Haskins & Sells, Columbus
Haufe, Ernest O., (self) Cleveland
Hawk, J. A., Arnold, Hawk & Cuthbertson, Dayton
Heckert, J. Brooks, (Emeritus Prof.), Dept. of Accounting, OSU, Columbus
Heckert, J. Brooks, (Mrs.), Columbus
Hehemann, William V., (self), Cincinnati
Heilman, Doris M., (self), Defiance
Heimann, R. A., Columbus & Southern Ohio Electric Co., Columbus
Helt, Arthur M., Delco Products Div., General Motors Corporation, Dayton
Hensley, Philip W., Lybrand, Ross Bros. & Montgomery, Columbus
Herrick, John H., Campus Planning, Ohio State University, Columbus
Higgins, Thomas G., Arthur Young & Co., New York, New York
Hinman, Cecil N., John Carroll University, Cleveland
Hittner, Stanley E., (self) Cincinnati
Holsen, Robert C., Ernst & Ernst, Cleveland
Hopkins, Leonard L., Lybrand, Ross Bros. & Montgomery, Columbus
Howard, D. E., The Horsburgh & Scott Co., Cleveland
Howe, David, OSU, Columbus
Howe, Harold W., Urban, Greet, & Howe, Columbus
Huels, Robert J., Cassel, Groneweg, Rohlfing & Clark, Dayton
Hyde, Almond J., Western Reserve University, Cleveland
Icenhower, Hobert G., The Buckeye Steel Casting Co., Columbus
Istvan, Donald F., (Assoc. Prof.), Dept. of Accounting, OSU, Columbus
Jerome, William Travers, III, Syracuse University, Syracuse, New York
Johnson, Carl A., Welsh and Leffingwell, Cleveland
Johnson, T. B., Haskins & Sells, Columbus
Jones D. Donald, (Vis. Lecturer), Dept. of Accounting, OSU, Columbus
Jordan, Thomas M., Jr., Arthur Young & Co., Cleveland
Kapnick, H. E., Arthur Andersen & Co., Cleveland
Kauffman, S.C., Arthur Andersen & Co., Cleveland
Keenan, Dick, Price Waterhouse & Co., Cleveland
Kell, Walter G., (Prof.) University of Michigan, Ann Arbor, Michigan
Kelsey, George W., Kelsey & Kelsey, Cleveland
Kenney, Edwin J., Ernst & Ernst, Cleveland
Kercher, J. W., Ernst & Ernst, Dayton
Killian, Thomas A., Cassel, Groneweg, Rohlfing & Clark, Dayton
King, Dale E., Arthur Young & Co., Toledo
King, Joseph A., Buckenmeyer & King, Toledo
Kinney, H. M., Columbus Bolt & Forging Co., Columbus
Kirschner, Robert L., Lybrand, Ross Bros. & Montgomery, Columbus
Kisling, Adrian B., (Dir.), Fiscal Services, University Hospital, Columbus

Kohler, E. L., (self), Chicago
Kollaritsch, Felix P., (Asoc. Prof.) Dept. of Accounting, OSU, Columbus
Koller, Oswald E., Cassel, Groneweg, Rohlfing & Clark, Dayton
Kriegbaum, Robert, University of Dayton, Dayton
Kuntz, Charles A., (Emeritus) OSU, Columbus
Kurtz, Richard H., National City Bank of Cleveland, Cleveland

Langdon, Paul R., Battelle Memorial Institute, Columbus
Langdon, W. E., W. E. Langdon & Sons, Columbus
La Place, William B., Haskins & Sells, Cleveland
Lee, J. D., Ernst & Ernst, Dayton
Leis, R. O., Ernst & Ernst, Columbus
Leonard, Max B., Anchor Hocking Glass Co., Lancaster
Lisk, B. C., Ernst & Ernst, Cincinnati
Litzinger, John F., The Ohio Fuel Gas Co., Columbus
Lombardi, Mondo F., Mason, Lombardi and Archibald, Columbus
Longbrake, Stanley E., Republic Steel Corporation, Massillon
Lovejoy, John A., Bookkeeping Service Center, Berea
Luh, Frank, OSU, Columbus
Lupe, J. E., Jr., Haskins & Sells, Columbus
Lyle, Harry C., (Asst. Prof.), Dept. of Accounting, OSU., Columbus

McCollough, Elzy V., (Assoc. Prof.), Dept. of Accounting, OSU, Columbus
McCool, Walter L., Anchor Hocking Glass Corporation, Lancaster
McCoy, Wallace E., Ernst & Ernst, Columbus
McGurr, Francis J., (Assoc. Prof.), John Carroll University, Cleveland
McNeese, Robert, Arthur Andersen & Co., Cincinnati
McNerney, John P., McKinsey & Co., Inc., New York, New York

Magner, Howard L., Cassel, Groneweg, Rohlfing & Clark, Dayton
Mains, Robert J., Robert J. Mains & Associates, Dayton
Malandro, Rudy, Kent State University, Kent
Markel, Roy A., Leland Airborne Products, Vandalia
Marks, Wayne H., Battelle & Battelle, Dayton
Martin, Harold, Kent State University, Kent
Martin, John C., Lybrand, Ross Bros. & Montgomery, Columbus
Martin, Richard, Battelle & Battelle, Dayton
Marx, Duane L., Arthur Young & Co., Cleveland
Mason, Frank A., Arthur Young & Co., Cleveland
Mason, James P., Diamond Alkali Co., Cleveland
Maxwell, David, OSU, Columbus
Meinhart, Gordon E., Ernst & Ernst, Columbus
Metzger, James L., Lybrand, Ross Bros. & Montgomery, Columbus
Michael, Terry A., OSU, Columbus
Miller, Charley, Business and Finance, OSU, Columbus
Miller, John L., Peat, Marwick, Mitchell & Co., Cleveland
Miller, Leslie, Baltimore & Ohio Railroad, Columbus
Miner, Robert, (Prof. & Chm.), Dept. of Business Organization, OSU, Columbus

Minutilli, Benjamin, Lybrand, Ross Bros. & Montgomery, Columbus
Mischler, Harland, Haskins & Sells, Cincinnati
Mitchell, William A., Lybrand, Ross Bros. & Montgmery, New York, New York
Mobley, Pamela Ann, Miami University, Oxford
Moeckel, Bill R., (Dir.) Defense Management Center, Columbus
Morey, Lloyd, University of Illinois, Urbana, Illinois
Morey, Lloyd, (Mrs.) Urbana, Illinois
Morris, Robert J., Columbus & Southern Ohio Electric Co., Columbus
Motiska, William R., John Carroll University, Cleveland
Mottice, H. Jay, (Grad. Instr.), Dept. of Accounting, OSU, Columbus
Moyer, John C., Arthur Young & Co., Cleveland
Muench, Frederick W., Jr., Alexander Grant & Co., Cincinnati
Mulligan, T. J., Haskins & Sells, Columbus
Myers, Jerry W., Ernst & Ernst, Columbus

Naum, Byron A., Ohio Fuel Gas Company, Columbus
Nein, Raymond W., Cassel, Groneweg, Rohlfing & Clark, Dayton
Nelson, Nels C., Peat, Marwick, Mitchell & Co., Cleveland
Neubig, Robert, (Dr.) Ohio University, Athens
Neuman, Richard, Bowling Green State University, Bowling Green
Nical, L.H.C., Ernst & Ernst, Columbus
Nicol, William B., Meaden & Moore, Cleveland
Noble, Robert H., Lybrand, Ross Bros., & Montgomery, Columbus
Noell, E. P., Lybrand, Ross Bros. & Montgomery, Cleveland
Northrup, Richard V., (Assoc. Prof.) Dept. of Accounting, OSU, Columbus

O'Brien, F. B., Arthur Andersen & Co., Cleveland
Overmyer, Hubert C., Ernst & Ernst, Toledo

Pabst, Donald F., (Asst. Prof.) University of Cincinnati, Cincinnati
Paddock, Richard W., Battelle & Battelle, Dayton
Palmer, James E., Lybrand, Ross Bros. & Montgomery, Columbus
Panichi, Vincent M., John Carroll University, Cleveland
Park, Colin, Haskins & Sells, New York, New York
Parker, R. Allan, Touche, Ross, Bailey & Smart, Dayton
Parr, Floyd W., Cassel, Gronewig, Rohlfing & Clark, Dayton
Perkins, Wilbur B., Cassel, Gronewig, Rolfing & Clark, Dayton
Peters, Thomas C., Lybrand, Ross Bros. & Montgomery, Columbus
Peters, Walter W., Ernst & Ernst, Cincinnati
Petrick, Charles D., Arthur Young & Co., Cleveland
Pfeifer, Jean L., Lybrand, Ross Bros. & Montgomery, Columbus
Phillips, Donald, Battelle Memorial Institute, Columbus
Phillips, W. Earl, Arthur Young & Co., Cincinnati
Pierce Ken, Columbus
Pigman, Don E., Konopak & Dalton, Toledo
Powell, George, Charles E. Merrill Books, Inc., Columbus
Price, Thomas L., Gattner, Price & Highfield, Columbus
Pulsinelli, Frank P., Lybrand, Ross Bros. & Montgomery, Columbus

Quillin, Ronald, Ernst & Ernst, Columbus

Rachor, F. J., Arthur Andersen & Co., Cleveland
Ranbarger, John W., Peoples Broadcasting Corporation, Columbus
Rector, George B., Peat, Marwick, Mitchell & Co., Columbus
Rehula, Lad A., Haskins & Sells, Cleveland
Reininga, Warren, Ohio University, Athens
Rieser, F. P., Touche, Ross, Bailey & Smart, Dayton
Rigrish, L. A., (Mrs.) American Jersey Cattle Club, Columbus
Ritchey, Donald C., Price Waterhouse & Co., Columbus
Robb, James G., Lybrand, Ross Bros. & Montgomery, Columbus
Roberson, Gary W., Arthur Young & Co., Cleveland
Roberts, Richard S., OSU, Columbus
Rohlfing, Paul G., Cassel, Groneweg, Rolfing & Clark, Dayton
Ruma, Peter N., Haskins & Sells, Cleveland

Sachleben, L. J., Touche, Ross, Bailey & Smart, Dayton
Sass, Gordon L., Ernst & Ernst, Columbus
Saunders, Roger A., Price Waterhouse & Co., Columbus
Schmeltz, William, (Dean) College of Business Administration, Bowling Green State University, Bowling Green
Schmidt, Charles L., Alexander Grant & Co., Cincinnati
Schott, John S., L. H. Willig & Co., Cincinnati
Sepsi, Lynn, (Secy.), Dept. of Accounting, OSU, Columbus
Shaw, Donald L., Ernst & Ernst, Columbus
Sheppard, John D., Ohio University, Athens
Shivley, L. R., Pneumo Dynamics Corporation, Cleveland
Shonting, Daniel M., (Prof.) Dept. of Accounting, OSU, Columbus
Shumaker, Larry, Gattner, Price & Highfield, Columbus
Simmons, John K., (Grad, Instr.) Dept. of Accounting, OSU, Columbus
Sloane, Fred O., (self) Cleveland
Smith, Gerald R., Ray Data Corporation, Columbus
Smith, C. Kenneth, Ernst & Ernst, Columbus
Smith, Paul A., Cassel, Groneweg, Rohlfing & Clark, Dayton
Smith, Ronald A., (self) Columbus
Smith, Walter M., (self), Columbus
Sorensen, James E., (Asst. Instr.) Dept. of Accounting, OSU, Columbus
Smucker, David K., OSU, Columbus
Smucker, John C., Republic Steel Corporation, Massillon
Spires, John E., Research Foundation, OSU, Columbus
Stanley, John E., Ernst & Ernst, Cleveland
Stevens, J. S., Wesleyan University Press, Inc., Columbus
Strasser, Fred T., Cryovac, Inc., Columbus
Stratis, Robert E., (self), Dayton
Streng, Robert S., Lybrand, Ross Bros. & Montgomery, Columbus
Stevenson, Robert K., The Beckett Paper Co., Hamilton
Swormstedt, Allan L., Haskins & Sells, Cleveland

Taylor, C. G., Touche, Ross, Bailey & Smart, Dayton
Thorpe, T. E., Haskins & Sells, Columbus
Tippett, Charles A., Educator & Executive Insurance, Columbus
Tippit, Hassel, Ernst & Ernst, Cleveland
Toth, Daniel J., Owens-Illinois Glass Co., Toledo
Tracy, Thomas A., Arthur Andersen & Co., Cleveland
Traeger, Morris, Traeger, Rose & Assoc., Cleveland
Trees, George L., (self), San Francisco, California
Turner, Robert C., (Prof.), Indiana University, Bloomington, Indiana
Tuttle, A. W., Peat, Marwick, Mitchell & Co., Columbus

Uretsky, Mike, (Asst. Instr.) Dept. of Accounting, OSU, Columbus

Vannuki, Ronald, OSU, Columbus
Vincent, Jack R., Research Foundation, OSU, Columbus

Walker, Larry J., Ernst & Ernst, Columbus
Wallace, Irl C., Touche, Ross, Bailey & Smart, Dayton
Wamsely, James L., Jr., Lybrand, Ross Bros. & Montgomery, Cleveland
Ward, Joe K., Arthur Young & Co., Cleveland
Webster, Maurice A., Jr., Peat, Marwick, Mitchell & Co., Philadelphia, Pa.
Weeks, William C., Jr., Lybrand, Ross, Bros. & Montgomery, Columbus
Weidler, Walter C., (Dean Emeritus) College of Commerce, OSU, Columbus
Weidler, Walter C., (Mrs.) Columbus
Weinman, Richard S., Battelle & Battelle, Dayton
Weis, Paul R., North American Aviation, Inc., Columbus
Weldon, William F., Mason, Lombardi & Archibald, Columbus
West, Robert J., OSU, Columbus
Wiggins, J. R., Jr., Ernst & Ernst, Dayton
Wilkinson, James, (Prof.) Bowling Green State University, Bowling Green
Willingham, John J., (Grad. Instr.) Dept. of Accounting, OSU, Columbus
Willis, Harold F., The Hobart Manufacturing Co., Troy
Wilson, C. Andrew, Cassel, Groneweg, Rohlfing & Clark, Dayton
Wilson, Jack D., Wilson Accounting Service, Piqua
Yager, Ben, Miami University, Oxford
Yankee, Glen, Western Reserve University, Cleveland
Yocum, James C., (Assoc. Dir.) Bureau of Business Research, OSU, Columbus

Zahn, John M., Orr, Brown & Price Co., Columbus
Ziegler, John H., (self) Medina
Zimmer, Robert K., (Grad. Instr.) Dept. of Accounting, OSU, Columbus

AVAILABLE COLLEGE OF COMMERCE CONFERENCE SERIES

(Missing numbers are out of print)

1959

134. The Twenty-third Annual Conference of Executives of State and Local Trade Associations

1960

136. The Eleventh Annual Insurance Conferences
138. The Twenty-first Annual Personnel Conference
139. The Twenty-fourth Annual Conference of State and Local Trade Associations
140. The Seventeenth Annual Advertising and Sales Promotion Executive Conference

1961

141. Business Education in a Dynamic Society
145. The Twenty-third Annual Institute on Accounting
146. The Twenty-fifth Annual Conference of State & Local Trade Associations

1962

148. The Thirteenth Annual Insurance Conference
149. The Eighteenth Annual Conference of Sales Managers
150. The Twenty-fourth Institute on Accounting
151. The Twenty-sixth Annual Conference of State and Local Trade Associations

1963

152. The Fourteenth Annual Insurance Conference
153. The Nineteenth Annual Conference of Sales Managers